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A guide to Whitewater hearings

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Editors all across America are wondering what to do about the Whitewater hearings. They know, on the one hand, that the hearings in Washington may be important. They also know that the average American doesn't give a flying leap.

Really, how presumptuous it is to think that Whitewater is of interest to the average American family. Mom and Dad stagger out of bed when the alarm goes off at 5:45 a.m. They fix breakfast, wake the kids up, feed the kids, feed the dog, wash the dishes, shower, dress, haul the kids to school or day care, work all day, come home, feed the kids, clean up, collapse in a heap and get ready to start all over the next day. Whitewater? Get a life.

Still, editors know that it's their duty to create interest in great affairs of politics and government. The problem with Whitewater is that nobody knows who is who, what is what, or which end is up.

We need a scorecard. We need a guide to Whitewater.

But in keeping with the issue, the guide needs to be as complex and confusing as possible.

So here's the scorecard — as a quiz.

Frank Fellone

1. The first Whitewater hearing witness was Lloyd Cutler. He is:

a. White House counsel.

b. A veteran of the Washington political drama.

c. An expert on inappropriate discussions with federal regulators.

d. Star of the 1960s television adventure program, "Sea Hunt."

2. A surprise attendee at the hearings was a bald fellow escorting a pretty girl. The man was:

a. Lex Luthor, original arch-enemy of Superman, wearing his original hair style.

b. James "Billiards" McDougal.

c. A man who recently ran for Congress, making us utter once again the immortal line about America, "Is this a great country, or what?"

d. Or what.

3. Max Parker is:

a. Chief of the CIA's counter-intelligence division.

b. CEO of a multinational cosmetics company.

c. The Washington security guard who discovered the Whitewater break-in.

d. Third-string quarterback for the Washington Redskins.

e. Press secretary for Gov. Jim Guy Tucker.

4. If the proceedings get too dull, the House Banking Committee is expected to call in:

a. Singer Barbra Streisand.

b. Rock group The Grateful Dead.

c. Wonder Dog Lassie.

d. Stand-up comic Al Gore.

5. If David Letterman ordered his writers to produce "Top 10 reasons to watch the Whitewater hearings," they would actually come up with:

a. Six reasons.

b. Three reasons.

c. One reason.

d. No reasons.

e. A headache.

f. A cure for insomnia.

6. The word "courtly" has been used to describe at least one Whitewater participant. In Washington, the word means:

a. Well-mannered and genteel.

b. Able to put a full-court press on a political opponent in an instant.

c. Somebody who spends a lot of time in court, usually as a witness or defendant.

d. Nobody knows what it means.

7. Whitewater is definitely a scandal because:

a. Some folks got rich, and the taxpayers got stiffed.

b. Political power and the pursuit of wealth combined to stiff the taxpayer.

c. The Republicans say it is.

8. Whitewater is definitely not a scandal because:

a. Taxpayers get stiffed all the time anyway.

b. Everybody kept their clothes on. As far as we know.

c. The Democrats say it's not.

9. The truth about Whitewater will be found out:

a. At the conclusion of the hearings.

b. At the conclusion of the special prosecutor's investigation.

c. When Washington freezes over in August.

Assistant Managing Editor Frank Fellone's column appears every Monday and Thursday.

The illegal defense fund's after-the-fact lawyering

A testy Lloyd Cutler, the White House counsel, broke the news under questioning by Rep. Deborah Pryce the first day of the Banking Committee's Whitewater hearings: Yes, there is a written opinion from within the government — the Office of Government Ethics, to be precise — attesting to the legality of the Presidential Legal Expense Trust, the unprecedented fund the Clintons established to collect contributions to pay off their massive legal bills. "It was published, I believe, late last week," Mr. Cutler said.

July 22, to be precise — though "published" is not exactly the right word. The Washington Times' editorial page called the Office of Government Ethics to obtain a copy and was referred to the trust itself, which kindly supplied one. (Poor Rep. Pryce, however, asked for a copy from Mr. Cutler — at the hearing July 26 as well as in a follow-up letter the day after. She hasn't heard a word back from him.)

A July 22 opinion — in other words, an opinion written six days short of a month *after* the establishment of the trust. Don't try this at home, kids. It's not safe. You need to do your legal research *before* you embark on your preferred course of action — because there may be grave problems with your preferred course of action, as there are in the case of the Presidential Legal Expense Trust.

Here's a brief chronology of events, for the benefit of those who are keeping score:

■ June 28: Lawyers for the Clintons (including Mr. Cutler as well as private lawyers) hold a press conference announcing the establishment of the trust. Among its provisions is the following, from Article Third: "the Trustees are specifically authorized and empowered with respect to any property held by them . . . (2) To raise funds and solicit donations to the trust from the general public to carry out the purposes of the trust, and to pay the reasonable expenses of any such fund raising campaigns, including without limitation the cost of direct mail campaigns." The lawyers give an address to which contributions to the trust can be sent and urge that the address be published by the media.

■ June 29: A lengthy editorial in this space asks whether any appropriate government body has issued a legal opinion about the trust; the editorial also directly questions the legality of the trust and the tax treatment of contributions to it. Among other things, the editorial notes, the trust may run afoul of law governing the acceptance and solicitation of gifts by the president.

■ July 1: In his Wall Street Journal column, Paul Gigot quotes Stephen D. Potts, head of the Office of Government Ethics, saying that he advised the White House only "in general terms" on the legality of the trust, and that it's okay. A news story in The Washington Times quotes the deputy director of the Office of Government Ethics, Donald Campbell: "We've had discussions with the White House, and we do have an opinion. . . . Because of the nature of the presidency, as far as a president setting one up, we see no impediment to doing one. . . . The question is how it is set up."

■ July 7: An editorial here makes the case in detail that it is illegal, under 5 C.F.R. 2635.204(j) (the regulations detailing certain exceptions that apply to the president and vice president on gifts to federal employees, 5 U.S.C. 7353), for the president, directly or indirectly, to solicit gifts.

■ July 11: Michael Cardozo, the executive director of the trust, meets with Mr. Potts of the Office of Government Ethics about the trust.

■ July 20: Mr. Cardozo writes a letter describing the "structure and proposed operation" of the already-operating trust. He says that the trust purpose is "to receive and dispense funds." He further assures Mr. Potts, "The Grantors" — that is, the Clintons — "have not and will not solicit contributions to the Trust. While the Trustees are authorized to exercise the powers enumerated in Article THIRD to manage the Trust, the Trustees will not engage in the solicitation of donations to the Trust."

■ July 22: Mr. Potts responds, giving his blessing. "In particular, I believe that the manner in which this trust is to be operated will be consistent with the provisions of 5 U.S.C. 7353 and the implementing regulations found in subpart B, of part 2653 of title 5 C.F.R. As you know, that statute prohibits officers and employees of the executive . . . including the President and Vice President from soliciting or accepting gifts from certain individuals or groups. The statute does provide, however, . . . for reasonable exceptions as may be appropriate. . . . Specifically with regard to the President, 5 C.F.R. 2635.104(j)" — actually, that's 204(j) — provides that the President, because of considerations relating to the conduct of his office, may accept any gift . . . so long as it does not violate certain specified statues or provisions of the standards . . .

"One of those specified standards prohibits the solicitation of gifts."

Well, hallelujah. A hearty welcome to Mr. Potts and all his colleagues at the Office of Government Ethics, as well as to Mr. Cardozo and the gang at the Presidential Legal Expense Trust, and to Mr. Cutler and Co. at the White House, from our old friend 204(j). It's nice to see, at last, that everybody has taken occasion to have a glance at the law. It's a start.

Mr. Potts goes on to bless the trust, embracing Mr. Cardozo's story that trust will not be soliciting: "Solicitation must involve some request. We do not see the manner in which you have outlined the trust's proposed activities as involving requests."

The Cardozo-Potts-Cutler retreat from the obvious intention of the trust, as outlined in Article Third above, to solicit contributions for the president is welcome, if absurd, based on any reading of that very same Article Third. Moreover, the notion that the trust has not solicited gifts, and that therefore the president has not indirectly solicited gifts, is equally absurd. It is at odds with common sense as well as with a wealth of case law on the meaning of solicitation. The president's lawyers as well as spokespersons at the White House called press conferences to announce the formation of the trust and to give out the address to which contributions could be sent. (It's interesting to note that Mr. Potts gives his nod only prospectively, offering no assessment of solicitation in relation to activity that has already taken place.)

Since it took almost an entire month to craft this theory of non-solicitation, it's probably worthwhile to ask what happened in the days following the establishment of the trust, before the Clinton team realized how serious its legal problem was. Relying on the reputation of Lloyd Cutler and the fuzzy verbal assurances from the Office of Government Ethics, did trustees and officials of the trust, the Clintons themselves, or any officials of the administration put the touch on any of their friends — for the good of presidency, to be sure? Oh-oh.

There are many other issues here. Mr. Cardozo writes, for example, "While third parties may solicit contributions that may be accepted by the Trust, these third parties will not be employed by or act as agents of the Trustees." That makes it sound like the trust-paid fundraising contemplated in Article Third is off. Except that Mr. Cardozo has, for some reason, only mentioned two of three possible arrangements in which the trust would pay: employee and agent. How about an "independent contractor" relationship? Is that being held in waiting? And does anybody really believe it wouldn't constitute indirect solicitation?

The Clintons have been ill-served by their lawyers, and they continue to be ill-served. Mr. Cutler, who came to the White House with a substantial legal reputation, will leave the White House with that reputation much diminished. The Clinton team's after-the-fact lawyering has served only to acknowledge the gravity of the legal problems with the Presidential Legal Expense Trust, not to solve them.

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by WTO's chanters

Ethics, lies and Whitewater

"I can reasonably conclude that the conduct of the people working here, as described in the report, did not — I repeat — did not violate the Standards of Ethical Conduct for executive branch employees," Treasury Secretary Lloyd Bentsen said yesterday, releasing a 27-page report from the federal Office of Government Ethics. Take that, Al D'Amato.

Daily, new revelations surface detailing the extensive contacts between Treasury officials and the White House, in which information about regulatory actions regarding Madison Guaranty Savings and Loan was passed on to the Clintons and their staff. The discovery of these meetings has sent Treasury into a tailspin of recriminations, disavowals and reassurances, the most recent of which is Mr. Bentsen's hopeful declaration that the matter has now been put to rest.

But it hasn't been put to rest. And not only because of the public tenacity of Mr. D'Amato, the Republican Senator from New York. In the face of all the efforts to make the senator desist — most notably the barrage of snide insinuations about his own ethics — Mr. D'Amato has kept the public pressure on. But he and his staff have done more than that. They have mounted an investigation of a sort not even attempted by the Office of Government Ethics. Their efforts have produced documents and admissions from sworn witnesses that have forced officials like Deputy Treasury secretary Roger Altman to revise, time and again, their previous, sworn congressional testimony.

Mr. Altman, now little more than a political corpse waiting to be buried, has claimed in the last few days that he relishes the opportunity to defend himself on the Hill, expecting perhaps that he might become the Ollie North of Whitewater. But too much information has been ferreted out by Mr. D'Amato for Mr. Altman to come in with blanket denials. The most recent is the discovery that Jean Hanson, the Treasury counsel, demanded from several Resolution Trust Corporation officials in January the criminal referrals then being prepared against Madison Guaranty — the defunct S&L owned by Clinton Whitewater business partner Jim McDougal. She had to be told by a Treasury department attorney present at the 20-minute meeting, John Bowman, that it would not be appropriate for her to see them. She defended herself by saying that it wasn't she, but Mr. Altman who needed the documents because Mr. Altman wanted to tell Republican lawmakers that the Whitewater investigation was over and had found nothing of interest.

In other words, not only was Mr. Altman passing along inside information to the White House, he was trying to shut down congressional inquiries by whitewashing the affair. It was that futile effort, of course, that led to the deputy secretary's less than forthright testimony. Mr. D'Amato has another word for the circumspect testimony — lying. "Absolutely out of line and he knew it," Mr. D'Amato said yesterday, accusing Mr. Altman of giving sensitive classified information about the criminal investigation into Whitewater to the president. "He deceived the Congress."

The string of revisions Mr. Altman has made to the testimony he gave months ago on the Hill is testament to that. And that appearance was a cakewalk compared to the grilling he is going to receive this week, and not just from Republicans. The absurd spectacle of the House Whitewater non-hearings has been embarrassing enough for Senate Democrats that several are starting to hint they will not be party to any such debacle in the Senate. Combine that with the fact that Mr. Altman seems to be the White House's designated fall-guy, and it becomes obvious that the deputy secretary is in for a rough ride. He may even want to consider the advantages of coming clean.

Friends, keep an eye on Capitol Hill.

Word is out: The White House, in collaboration with the Republican leadership, may try to ram the huge General Agreement on Tariffs and Trade treaty (GATT) through both houses of Congress — before the August recess.

If it happens, the GOP will have given Bill Clinton yet another resurrecting victory. And history will indict this party as co-conspirator in a Munich-style betrayal of American sovereignty and the biggest sellout of states' rights in modern times.

For the GATT treaty creates a new global authority, the World Trade Organization (WTO), whose power is unprecedented.

In the United Nations, the United States retains veto power. In the World Bank and International Monetary Fund, we have weighted voting. But in the WTO, there is no American veto, and the United States has only one vote out of at least 117 signatories (as of April). Our voting strength is less than 1 percent of the total — like Burundi's. Yet we will pay 20 percent of the bills.

Third World nations, many of whose regimes have long envied and opposed America, will have 80 percent of the voting power. Our great trade rival, the European Community, will have 12 votes to our one.

Under the WTO any U.S. law — federal, state or local — may be challenged by a foreign government as an unfair trade barrier, and each challenge will be heard in a secret tribunal.

If that tribunal decides a "Buy California" law violates GATT rules, it can order the United States to get rid of the law, or face trade sanctions. The United States would be obligated to work to overturn California's law, and California would have no standing to appeal. Countless state laws will be attacked in the WTO, and the U.S. will be obligated to take the side of the foreign attackers — or accept sanctions.

The attorneys general of 42 states have written the president demanding a federal-state summit before the United States submits.

Even Harvard scholar Lawrence Tribe, a man of the Left, has written to Sen. Robert Byrd, West Virginia Democrat, contending that "vital constitutional safeguards ... for the sovereign authority of the 50 states as semi-autonomous entities within the federal system" are being ignored.

The GATT agreement, writes Mr. Tribe, "would entail a significant shift of sovereignty from state and local governments to the World Trade Organization." So great is this transfer of power that "I see no way to avoid the conclusion that the legal regime put in place by the Uruguay Round represents a structural rearrangement of state-federal relations of the sort that requires ratification by two-thirds of the Senate as a treaty. ... The issue is not one of policy preference; it is one of fidelity to the Constitution."

When even Lawrence Tribe is alarmed about an American surrender of constitutional authority to the WTO, why is the GOP still bedding down with Bill Clinton and Mickey Kantor?

If the American people are ignorant of what is going down, foreigners are not. Here is an excerpt from a contemptuous article in the International Herald Tribune:

"It is true the WTO means a l of congressional sovereignty. But that will be no sad thing, if it clips the wings of Capitol Hill's p ful protectionists. It will actually be good for the United States to be overruled by the world organization when Washington tries to take politically motivated action against other countries' exports."

Amazing. Even as Congress rushes to surrender power gi to it by our Founding Fathers, to regulate foreign commerce, Congress is being slapped across the face for being too solicitous of American interests.

Under the budget rules, Con gress must find $12 billion, ove the next five years, to make up fo revenue lost by the GATT tarif cuts. Republican leader New Gingrich, however, has accom modatingly suggested the budge rules be waived, to rush GAT through.

Right now, the legislation is o a "fast track." That means n amendments, and only 20 hours o debate. But when Congress vote that fast-track authority, no envisioned that GATT w l cor tain this great leap for d int world government.

To rush GATT through no without a national debate, woul be the moral equivalent of the To kin Gulf Resolution.

Mr. Byrd has risen in the a to ask two things:

First, that a decision te ing the WTO be put off until t new year, so the people unde stand the momentous step Ame ica is taking. Second, s s W involves a surrender of sov eignty, and a loss of states' righ that GATT be considered a trea requiring full debate and appro by two-thirds of the Senate.

Mr. Byrd's request is the le the American people have a ri to demand.

Patrick Buchanan is a nat ally syndicated columnist.

U.S. is sending 3,000 GIs to Africa

Only about 200 to be in Rwanda

By Rowan Scarborough
THE WASHINGTON TIMES

Defense Secretary William Perry said yesterday that 3,000 U.S. troops will descend on central Africa in the next two weeks to provide humanitarian aid, with all but 200 soldiers stationed outside postwar Rwanda.

Mr. Perry, who returns to Washington today after touring camps for more than 1 million Rwandan refugees in Uganda and Zaire, said the 200 military personnel have successfully reactivated an airport in the Rwandan capital of Kigali and, as of yesterday, had accepted five U.S. transport planes.

The goal now, he said, is to start a flow of food, water and medical supplies from Kigali down a 100-mile paved road to Goma, Zaire, where the bulk of Rwandan refugees reside after fleeing a bloody, monthlong civil war that left an estimated 500,000 dead.

"We see deprivation. We see suffering," said Mr. Perry, who appeared from Goma on CBS-TV's "Face the Nation." "But I believe we truly have turned the corner in terms of stopping the dying and stopping the worst level of misery."

The ultimate plan is to establish way stations on the exit route manned by 2,000 U.S. troops to coax the Rwandans back home. But the Clinton administration is delaying that phase until it determines the degree of danger in the countryside.

On that subject, Mr. Perry and Madeleine Albright, U.S. ambassador to the United Nations, gave conflicting assessments.

Mr. Perry said: "We're in . . . an area which is just recovering from a civil war. There are still citizens wandering around with AK-47s. And so there's an inherent danger in the situation."

But Mrs. Albright, appearing yesterday on NBC's "Meet the Press," said, "The RPF, the Rwanda Patriotic Front, does have control of the country, and it is not a dangerous situation."

Mr. Perry said airport operators at Kigali are being protected by a company of Army military police. He said RPF leaders assured the MPs during meetings in Kigali that the soldiers will face no hostile actions.

"The positive side is that American soldiers have been very warmly received, both in Zaire and Rwanda," he said. "There have been no threats to American soldiers, no hostility at all."

Mr. Perry reiterated that the forces working in refugee camps in Zaire and Uganda will adhere strictly to administration policy — providing humantarian relief work but making no effort to aid U.N. troops in keeping the peace in Rwanda.

The defense secretary said American troops would not waver from that restriction even if they witness renewed bloodshed in Rwanda. "I want to emphasize that the United States is not part of the peacekeeping operation here," he said. "We do not have soldiers as a part of the peacekeeping operations and don't plan to."

Administration officials made that point frequently last week to ward off concerns that Rwanda could become another Somalia. Thirty-two U.S. servicemen lost their lives in the East African nation as a humanitarian mission to feed starving Somalis turned into a failed peacekeeping operation.

For Rwanda, the United Nations has authorized a force of 5,500 peacekeepers, but so far fewer than 1,000 troops have assembled. Mr. Perry said U.N. officials told him that a contingent of 4,000 peacekeepers would be operational by mid-August.

"It will be their job to keep the peace, provide peace and stability in this land as it goes through its transition period," Mr. Perry said.

Despite the administration's assurances on peacekeeping, two senators yesterday sent warnings on Rwanda and raised the specter of a repeat of the Somalia experience.

"Let's go in, help stabilize, get humanitarian aid, get the water facilities up, and then make sure the rest of the U.N. takes over," said Sen. Alfonse D'Amato, New York Republican and a member of the Senate Intelligence Commit "Let's bring our people out. Let's not have a repetition of Somalia. I hope we have learned from that."

Sen. Christopher Dodd, Connecticut Democrat and a mem of the Senate Foreign Relations Committee, said: "You don't v to stay in a nation-building capacity. We have seen the mistakes. . . . Others can assume that role."

Mrs. Albright sought to draw a distinction between Rwanda and Somalia, where the last U.S. soldiers pulled out on a March 31 deadline imposed by Pr Clinton.

"In Somalia there was insecure environment, and one of the assignments of the military there was to secure the environment in order to be able to deliver humanitarian assistance," she said. "There were warring clans. That is not the case in Rwanda."

Filling the fund

When White House Counsel Lloyd Cutler announced the first-ever White House "legal expense fund" to raise millions of dollars in defense of Bill and Hillary Rodham Clinton, he assured us that the fund's big-name board of trustees would handle all donations ethically.

"All outstanding public citizens," Mr. Cutler said of the trustees.

One is Barbara Jordan, former member of Congress and a professor at the LBJ School of Public Affairs. Miss Jordan, you may recall, was named by President Clinton to head his Commission on Immigration Reform (even though it's said she knows virtually nothing about immigration, immigration law or immigration law reform). And in a White House ceremony to be held Aug. 8, Mr. Clinton will award Miss Jordan the Medal of Freedom, the nation's highest civilian honor.

It was understood that trustees such as Miss Jordan would not in any way, shape or form solicit any donations to the Clinton fund. But now Inside the Beltway is told by a Jordan acquaintance in Texas that she approached him last week and solicited money.

The acquaintance says Miss Jordan asked him "directly" if he intended to contribute, leading us to assume that the "ethical" word hasn't yet gotten around to those being honored for distinguished careers in public service.

Rude invitation

Philip Young, executive director of the Nebraska Republican Party, has sent a letter to President Clinton, asking him to come to the Cornhusker State and campaign for Sen. Bob Kerrey, Gov. Ben Nelson and Rep. Peter Hoagland.

Mr. Young urged Mr. Clinton to do a high-profile campaign tour for the Nebraska Democratic

"All three of these candidates worked very hard for your campaign for president in 1992," Mr. Young reminded the president.

"Even though Bob Kerrey was also a candidate for president that year, he did work hard for you in Nebraska once you won the nomination, and also defended your draft record, which was a major sticking point for your campaign. In fact, Bob Kerrey saved your presidency this year, he did work hard for you in Nebraska once you won the nomination, and also defended your draft record, which was a major sticking point for your campaign. In fact, Bob Kerrey saved your presidency this [illegible] I'm sure all of these candidates would appreciate a public display [illegible] support here in Nebraska. We would wa[illegible]

INSIDE THE BELTWAY

By John McCaslin

George M. Steinbrenner III remembers Donna Shalala as "a lovable kid" and tough competitor

Twenty-five Shalalas

Inside the Beltway has obtained a letter from New York Yankees owner George M. Steinbrenner III to Washingtonian magazine that we assume will be printed in an upcoming edition. The outspoken Mr. Steinbrenner was writing in response to an article printed in March on HHS Secretary Donna Shalala.

The article, written by Barbara Matusow, traced Miss Shalala from her tomboy days in Cleveland, when Mr. Steinbrenner was actually her coach on the playgrounds of Cleveland.

"Donna Shalala, besides being a lovable kid, was one of the toughest competitors that I have ever seen, male or female, and that seems to have carried all the way through her distinguished life," Mr. Steinbrenner writes.

"Everyone in the area loved her and I think if I had 25 Donna Shalalas, I wouldn't be having such a tough battle in the American League East as I am."

Mr. Steinbrenner wrote the letter on July 14, when the Yankees were just a half-game ahead of the Baltimore Orioles. Now all Mr. Steinbrenner need worry about is the players' strike.

Hoover's buddy

Lee Q. Edmead lives in Bermuda. He collects autographs, about 3[illegible] of them [illegible]. He doesn't have Bill Clinton's autograph yet, though, or Al Gore's for that matter, and he's not happy about that.

So Mr. Edmead has written to Inside the Beltway, hoping we c persuade Bill and Al to jot down their Hancocks and send them his way.

"Being an avid autograph collector for over 30 years, I think is a disgrace that President Bil Clinton of the USA and Vice President Gore do not answer their mail," he complains, assuming it's "due to the fact they cu back their staff in the mailroo at the White House since they took office."

"Reagan and Bush answere their mail when you requested autograph, and they are Repul cans," he notes.

If it weren't for J. Edgar Ho ver, Mr. Edmead wouldn't be bothering Bill and Al.

"I used to correspond with Edgar Hoover, director of the FBI. We became pen pals," M Edmead disclosed in a Bermu magazine article he sent us. wrote him initially to ask hir give assistance and come to muda to talk about the mena marijuana. He said he could come, but we continued to co spond.

"In 1966, when I was in W ington, I called the FBI ters and spoke to Hoover's s tary, Helen Gandy. I asked t Mr. Hoover, and she said the time would be on Saturday. that Saturday, my roommat I walked to the Capitol and were met at the door by Mr ver and one of his aides and gave us a personal tour of t FBI and his office, where I the cedar bookends, the ce ter opener and all the othe things I had sent him."

Then, he said, Hoover sh him two FBI "most wanted criminal posters — Al Cap and John Dillinger — each them autographed. He imp on the islander the [illegible] portance of people [illegible]

That's how I started ing, thanks to J. Edgar H Mr. Edmead said. H is estimated to be w than $3[illegible]

Embassy Row

By James Morrison

Good news needed

With his country beset by strikes, ruled by a military government and criticized by Washington, Nigeria's ambassador is desparate for some good news, and he thinks he has found some.

Ambassador Zubair Kazaure insists there is growing support among Nigerian expatriates for his country's stumbling steps toward restoring some sort of democracy.

"It is a complete turnaround," he said in an interview.

Mr. Kazaure said at least two groups, Nigerians Abroad for Democratic Reforms and the Nigerian Democratic Association (NDA), supported the military government's plans for a constitutional conference in October. He says the conference hopes to craft a new constitution, which would lead to new elections and the resignation of the military rulers.

The NDA wrote President Clinton urging him to support the constitutional conference, and Mr. Kazaure said his country is "appealing to the U.S. government" to express some sort of encouragement for the process.

But the largest group of Nigerian exiles, the Nigerian Democratic Awareness Committee (NDAC), says Mr. Kazaure is trying to orchestrate support that isn't there.

The committee not only opposes the conference as a sham, but also says the Nigerian groups supporting the conference are little more than puppets of the military dictatorship.

"The embassy for a long time has been trying to establish groups to do it bidding," said the NDAC's E.C. Ejiogwu.

He said his group, which represents about 25,000 Nigerians in the United States, recently saw the real strength of Nigerians Abroad. A recent rally at the embassy in support of the conference drew five persons, while the committee's counterdemonstration at the same time drew 150, Mr. Ejiogwu said.

The Clinton administration is also not buying into the constitutional conference. The White House last week sent the Rev. Jesse Jackson to Nigeria to deliver a tough warning to Nigeria's military chief, Gen. Sani Abacha.

The message was to show evidence of democratic reform quickly or Nigeria will face a freeze of its assets in the United States.

The warning apparently was ignored as Nigeria rejected visas for a congressional delegation that was preparing to follow Mr. Jackson.

A spokesman for the Nigerian Democratic Association rejected accusations that his group is controlled by the government.

"We really had no contact" with Mr. Kazaure, said Clifford Lugard, president of the New Jersey-based group. "We have no allegiance to anyone in power in Nigeria."

The group, he said, is about 6 months old and has about 60 members.

Armenian leader visits

President Levon Ter-Petrosian of Armenia is due in Washington next week for his first meeting with President Clinton, the Armenian Embassy says.

"The main purpose of the president's seven-day visit is to promote greater understanding and cooperation between the world's leading democracy and Armenia, which has vigorously pursued democratic reforms since its independence in 1991," said Ambassador Rouben Shugarian.

"With this visit, we hope to strengthen the political and economic ties between our two countries."

Mr. Ter-Petrosian, who was invited by Mr. Clinton, arrives in Washington on Aug. 9 and will travel later to Detroit, Boston and Los Angeles.

Russian envoy speaks

Yuli Vorontsov is expected to use a conference in Vail, Colo., next week to deliver his first major policy address as Russia's next ambassador to the United States.

Mr. Vorontsov, now Russia's ambassador to the United Nations, is the scheduled keynote speaker at the Russian-American Chamber of Commerce annual conference Aug. 11-12.

His remarks will "express his philosophy and outlook on . . . U.S.-Russian relations, the role of Russia in the global community . . . [and] Russia's economic and political prospects," the chamber said in a statement announcing his speech.

Other speakers include Ambassador Toomas Hendrik Ilves of Estonia and Umut Arik of the Turkish Foreign Ministry.

The chamber says the conference is open to the public and to call 303/745-0757 for more information.

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

Whitewater swirl engulfs Bentsen

Secretary may be forced to reshuffle aides in top staff

By Maria Recio
FORT WORTH STAR-TELEGRAM

Until now, Lloyd Bentsen's Treasury Department has been a model of stability in an often tumultuous Clinton administration.

Like the former Texas senator himself, Treasury has built a reputation as a department that is reliable, steady and hard-working.

Whitewater has swept that image away.

Suddenly, top aides are contradicting each other in public. White House Counsel Lloyd Cutler all but announced the departure of Deputy Treasury Secretary Roger Altman. Diary entries from Chief of Staff Josh Steiner dispute official versions. And materials from Treasury General Counsel Jean Hanson's files challenge the truthfulness of Mr. Bentsen himself.

The turmoil has official Washington rumbling that the three aides at the center of the storm — Mr. Altman, Mrs. Hanson and Mr. Steiner — cannot survive. And many wonder how they can all work next to each other. Each has an office near Mr. Bentsen's — and one another's — on the stately building's third floor.

Ed Knight, a Houstonian who is the Treasury's executive secretary, describes the atmosphere as "business as usual."

Not quite, according to others, who say behind closed doors the intrigue continues.

Still, said Mr. Knight, a key Bentsen aide, "It has not affected our performance."

One official said that on Tuesday, the day the politically charged House banking committee's Whitewater hearings began, Mr. Bentsen made "rousing and reassuring remarks" to his senior staff meeting, which included the three beleaguered aides. The former Texas senator talked about the dark days of past campaigns and expressed confidence that the episode would pass.

Other Washington veterans have their doubts.

"Treasury was considered one of the best-run departments," said John C. White, a Washington-based consultant from Texas and a former Democratic National Committee chairman. "This has splattered mud on them, especially Altman. I would guess that at the appropriate time, there'd be a new team."

Mr. Altman has increasingly become the focus of congressional and media interest as more information comes out about his role in a series of controversial Treasury and White House meetings over Bill and Hillary Rodham Clinton's connection to a failed Arkansas thrift, Madison Guaranty Savings and Loan Association.

Sen. Phil Gramm, the Texas Republican whose questioning of Mr. Altman in February produced the information about the questionable contacts, said last week: "Altman was less than forthcoming, probably misleading and may have told the committee the trut

Mr. Cutler singled out Mr. A man for blame in his testim Tuesday, but the White Ho counsel backed off earlier h hearted statements that we widely interpreted as signs of M Altman's departure.

But with Mr. Altman bl the unwilling star attraction at t week's Senate hearings, talk of ouster continues to swirl arou the city.

"That's too high a position have a fellow in it with t ki of problems," Mr. White said.

Lloyd Hackler, a longtime Be sen aide who now does invest out of Austin, Texas, and i in New Mexico, was blunt at any staff challenges to Mr. B sen.

"If Lloyd Bentsen says blac white, then white becomes bla Mr. Hackler commen sense of ethics was so intense I had to give campaign m back when it wasn't illegal to slush funds. There ain't no thing as Lloyd Bentsen b unethical."

As for draft documents duced by Mrs. Hanson for gressional committees that her retracting Mr. Bentsen's ket denial of any knowledge meetings, Mr. Hackler is ter

"I think she's a smart la trying to protect herself, sai Hackler. "I think she's a dead when it's over."

D'Amato keeps up heat on key Treasury official

By Ronald A. Taylor
THE WASHINGTON TIMES

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Sen. Alfonse M. D'Amato yesterday defended the intensity of two congressional hearings into the Whitewater affair and continued to hammer at Deputy Treasury Secretary Roger C. Altman as the source of confidential Whitewater information leaked to the White House.

"I believe that the facts are going to be overwhelming and that he will be forced to resign," the New York Republican said of the No. 2 Treasury official, who also oversees the Resolution Trust Corp.

On NBC-TV's "Meet the Press," the Senate's chief Whitewater critic and ranking Republican member of the Senate banking committee foreshadowed his line of questioning when the Senate hearings resume today as he sparred with committee colleague Sen. Christopher Dodd, Connecticut Democrat, over the need for the hearings.

"This thing is losing a sense of proportionality. I mean, this is not Watergate, this is not Iran-Contra," Mr. Dodd said of the Whitewater hearings that began last week with oversight hearings by the House banking committee.

"I wasn't impressed," he said of the House hearings, in which Democratic committee members questioned the need for the hearings and asked unchallenging questions of administration witnesses. "This is where people will say it looks terribly partisan."

Mr. Dodd continued: "In my view, I know we are under a

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D'AMATO

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mandate from a Senate resolution, but frankly this is a hearing I think we probably could have conducted in one day or two days, given the number of witnesses, and get to the central question."

He acknowledged the conflicts in Mr. Altman's actions and his previous testimony to Congress. "I think that's a legitimate subject of inquiry over the notion of impropriety, not illegality," he said. "That issue, it seems to me, has been resolved."

Mr. D'Amato disagreed, saying Congress is under a mandate "to come forth and ascertain: Has there been an abuse of public power?"

Mr. Altman, who is scheduled to testify during the House banking committee's Whitewater hearings this week, "deliberately misled the Congress" with incomplete disclosure of his contacts with the White House and his consideration to recuse himself on the Whitewater matter, Mr. D'Amato said.

He was referring to Mr. Altman's notification to White House aides on Feb. 2 that the RTC probe of the Madison Guaranty Savings and Loan Association would not be completed by Feb. 28. The Arkansas thrift was forced to close at a cost to taxpayers of $50 million.

The notification amounted to an early — and, according to Mr. D'Amato, improper — warning to President Clinton and Hillary Rodham Clinton.

Mr. Altman said Friday that he disclosed nothing secret. A statement by David Dreyer, deputy White House communications director, agreed, saying, "The Clintons did not receive confidential information."

Mr. Dreyer's statement said that in the upcoming testimony of administration officials, "it will be clear that the briefing was about procedure, did not go into the substance of the Madison inquiry, had already been provided to others in congressional briefings, and did not impart improper information."

Mr. Dodd echoed the theme that Mr. Altman's version of the events should be aired before the aide is condemned. "No one has suggested there has been obstruction of justice," he said.

"Roger Altman is a very fine person. He deserves to be heard. To draw the conclusion that there has been perjury, before he has had an opportunity to testify even before the House or the Senate, I think is unfair," he said. "Today we are living in an era when allegation amounts to guilt, and I think we've got to put a stop to it."

Mr. D'Amato applauded the work of Whitewater special counsel Robert Fiske Jr. but said he has information that surpasses Mr. Fiske's.

"I think our task was considerably easier as a result of having many of the depositions and the information," Mr. D'Amato said. "I believe that we have unearthed additional information that, when given to any prosecutor of Mr. Fiske's talent and temperament, he may very well say this is new information.

"I don't know whether or not Mr. Fiske . . . can conclusively show as we can that Mr. Altman was at the very least disingenuous, if not untruthful, in his answers and answers that he supplemented later to the Senate, and if he may not have — might not have even committed perjury," he said.

Mr. Dodd responded by alluding to other ethical clashes without directly mentioning Mr. D'Amato's brush with accusations of ethical improprieties. "We've seen members of Congress be subject to investigations in the past and no one has asked for resignations," he said.

"Give this man a chance," he said of Mr. Altman. "He deserves his day in court."

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GOP questions to concentrate on conflicting tales of contacts

By Jerry Seper
THE WASHINGTON TIMES

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Congressional Republicans will focus this week on three key witnesses who have given differing accounts of possibly improper White House-Treasury contacts during an investigation of a failed thrift with ties to President and Mrs. Clinton.

Treasury Secretary Lloyd Bentsen, Deputy Secretary Roger C. Altman and Treasury General Counsel Jean Hanson, along with 20 other department and administration officials, will appear in separate hearings beginning today before the Senate banking committee and tomorrow before the House banking committee.

"There may be some interesting testimony, particularly when some of the witnesses realize the Republicans — specifically the Senate banking minority — have done their homework," said one congressional investigator.

"We might see some of the witnesses begin to eat their young in an effort to protect themselves," the investigator said.

Senate Republicans deposed more than three dozen witnesses and collected 12,000 documents relating to the Whitewater case. Their inquiry into White House-Treasury contacts, according to congressional sources, has proceeded further in three months than special counsel Robert B. Fiske Jr.'s did in five. Mr. Fiske concluded there were no violations of the law.

The White House-Treasury contacts concerned an investigation of Madison Guaranty Savings and Loan Association, owned by James B. McDougal, a partner with the Clintons in Whitewater Development Corp. Madison was closed by federal regulators in 1989 at a cost to taxpayers of $50 million.

The Senate and House hearings are expected to focus on several concerns:

- An attempt by Mrs. Hanson in January to obtain copies of secret Resolution Trust Corp. criminal referrals in the Madison probe. The referrals, forwarded to the Justice Department to prompt a criminal prosecution in the case, named the president and Hillary Rodham Clinton as potential witnesses.

Congressional sources said RTC Assistant General Counsel John E. Bowman refused to turn over the documents, telling Mrs. Hanson it would not be appropriate. The sources said Mrs. Hanson wanted to give the records to Mr. Altman to use before pending Senate banking committee hearings in February to convince Republicans the Madison probe had been shut down.

Ironically, it was on Feb. 2 that RTC investigator L. Jean Lewis, who handled the Madison case until her removal in November 1993, said she was told by a senior RTC official that the "dead people wanted to be quiet." Say White

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GOP

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water was not a cause of the Madison problems.

- Efforts by Mr. Bentsen to obtain copies for the White House of interviews conducted by his department's Inspector General's Office as part of an ethics investigation of the Treasury-White House contacts. The copies were used to give White House officials a chance to prepare for the hearings, congressional sources said.

The IG's office interviewed Mr. Bentsen, Mr. Altman, Mrs. Hanson and others in the course of an inquiry by the Office of Government Ethics, an independent executive branch agency. The IG's office is supposed to be free of political interference, and several officials and former inspectors general said the release of the interviews to the White House was inappropriate.

"Given that high-ranking White House officials, as well as Secretary Bentsen himself, are subjects of this investigation, this action does not give the appearance of independence by the Inspector General's Office," said Rep. Frank R. Wolfe, Virginia Republican and a member of the House Appropriations Committee, which also looked into the Whitewater matter.

In an unusual Sunday briefing as the ethics report was released, Mr. Bentsen said it concluded Treasury officials did not violate ethical standards, although there were "troubling areas" involving the White House-Treasury contacts. Mr. Fiske's June 30 report offered "no opinion" on whether the contacts breached ethical standards.

- The exact date when the White House — and the Clintons — first learned of the RTC investigation of Madison, including information that the criminal referrals named Mr. and Mrs. Clinton as potential witnesses and suggested Mr. Clinton's gubernatorial campaign committee was a "co-conspirator."

Some White House officials have testified under oath that their first contacts with Treasury and the RTC over the Madison case occurred in September and October 1993, and only after media inquiries forced them to respond.

That does not square, however, with sworn congressional testimony by former RTC Vice President William Roelle, who said he told Mr. Altman about the government's inquiry in March 1993 — two months after the Clintons moved into the White House.

- A clarification on White House involvement in seeking information on the RTC investigation. White House officials testified they became involved in the matter only for media inquiries and made no effort to influence the case or discover inappropriate information.

But diaries maintained by Mr. Altman and Treasury Department Chief of Staff Josh Steiner show White House officials were keenly interested in the investigation and often pressured government officials for additional data.

Mr. Altman, at one point, wrote that first lady Hillary Rodham Clinton's chief of staff, Margaret A. "Maggie" Williams, told him Mrs. Clinton was "paralyzed" by the Whitewater matter — a comment Mrs. Williams now denies.

White House officials initially acknowledged only three meetings between Clinton officials and regulators over the Madison investigation, but White House Counsel Lloyd N. Cutler has since admitted more than 30.

- Sworn testimony by White House Deputy Chief of Staff Harold Ickes, who told congressional investigators Mr. Altman gave up a key piece of information about the RTC probe — that the agency would not be ready for lawsuits in the case before a Feb. 28 statute of limitations was due to expire.

Sen. Alfonse M. D'Amato, ranking Republican on the Senate banking committee, said the information was turned over during a Feb. 2 meeting, at which White House officials pressured Mr. Altman not to recuse himself from the matter — as he had threatened.

The New York Republican suggested the White House wanted Mr. Altman, a longtime friend of the president, in place to keep tabs on the probe.

Mr. D'Amato said Mr. Altman "deceived" Congress about the White House-Treasury meetings and about his role in the Whitewater case.

He said yesterday of the ethics report: "It is inconceivable to me that that any serious investigation could find (Mr. Altman's) conduct to be ethical."

The report mildly criticized Mrs. Hanson, saying the information she gave the White House "would seem to go beyond what was necessary" to help presidential aides answer press inquiries.

The Senate panel will hear Mrs. Hanson today, Mr. Altman on Tuesday and Mr. Bentsen on Wednesday. The House committee has scheduled Mrs. Hanson and Mr. Altman for Wednesday.

WITNESS LIST

Witnesses who will appear today before the Senate banking committee:

- **John Ryan**, acting chief executive officer, Resolution Trust Corp.
- **William Roelle**, former senior vice president and chief financial officer, RTC
- **Ellen Kulka**, general counsel, RTC
- **Stephen Katsanos**, director of the Office of Corporate Communications, RTC
- **Jean Hanson**, general counsel, Treasury Department

The Washington Times

The Washington Times MONDAY, AUGUST 1, 1994

Bentsen Says Review Shows No Whitewater Violations (Washn) By Michael Ross= (c) 1994, Los Angeles Times=

WASHINGTON Treasury Secretary Lloyd Bentsen, under fire from Republicans over his department's conduct in the Whitewater affair, said Sunday that an internal government review found no evidence that either he or his senior aides violated ethics rules in their contacts with the White House about a criminal investigation affecting the President and Hillary Rodham Clinton.

Bentsen released a lengthy report by the Office of Government Ethics, which called some of the contacts troubling but concluded that they breached no ethical guidelines.

''We turned the Treasury Department inside out to find every scrap of paper and every record that might conceivably have some bearing on this issue," Bentsen told a news conference. But on the basis of what the independent inspectors found, he added, ''I can reasonably conclude that the conduct of the people working here ... did not, I repeat, did not violate the standards of ethical conduct for executive branch employees."

The report was the third government review to conclude that White House and Treasury Department aides did nothing wrong by holding a series of discussions from September to February about the Resolution Trust Corp.'s investigation into Madison Guaranty Savings & Loan, a failed Arkansas thrift owned by James B. McDougal, the Clintons' partner in the Ozarks development known as Whitewater.

Whitewater special counsel Robert B. Fiske Jr. has already concluded that the contacts violated no criminal laws. White House Counsel Lloyd N. Cutler has said that his own review found no ethical improprieties by the White House aides involved in the discussions.

But while Treasury Department officials clearly hoped that the latest findings would exonerate them before congressional hearings on the Whitewater affair resume Monday, the report failed to resolve a number of discrepancies that have emerged in the sometimes conflicting testimony of White House and Treasury Department aides concerning the extent and precise nature of the contacts.

Most of the discrepancies revolve around conflicting accounts of when Bentsen and Deputy Treasury Secretary Roger Altman learned of the contacts. Particularly controversial is what Altman and Treasury Department Counsel Jean Hanson told White House officials about the confidential RTC probe, which was examining allegations that federally insured deposits from Madison had been illegally diverted into the Whitewater venture.

Bentsen, Altman and Hanson will testify before the Senate Banking Committee beginning Monday. Hanson and White House Deputy Counsel Harold M. Ickes have already given sworn depositions that contradict some of what Bentsen and Altman have said about the information given to the White House.

(Optional Add End)

Most troubling for Altman, however, was the deposition by Ickes, who, according to Republican members of the Banking Committee, told investigators that Altman gave the White House confidential information about the status of the RTC probe at a meeting Feb. 2.

That allegation was repeated on Sunday by the Senate panel's ranking Republican, Alfonse M. D'Amato of New York. On NBC's "Meet the Press," D'Amato called Altman "absolutely out of line" when, according to the Ickes deposition, he told White House aides at the Feb. 2 meeting that the RTC could not finish its Madison probe before a deadline for filing civil claims in the matter had expired at the end of the month.

Although the deadline was subsequently extended by Congress, any prior disclosure about the status of the probe would have violated RTC rules barring the communication of such information to anyone mentioned in its investigations. Although the Clintons were not named as subjects in the Madison probe, they were listed as potential witnesses.

''Roger Altman deliberately misled Congress" and through the White House aides ''gave sensitive inside information to the president and Mrs. Clinton," D'Amato charged, adding that the evidence was so ''overwhelming" that he had no doubt that Altman ''will be forced to resign."

Exhausted Crews Battle 34 Forest Fires in Washington (Leavenworth) By Louis Sahagun and Doug Conner= (c) 1994, Los Angeles Times=

LEAVENWORTH, Wash. Sprawled on the grass beside a pear orchard Sunday afternoon, 40 dirty and bedraggled firefighters stared at a thick column of orange-gray smoke rising off a steep slope overlooking this Bavarian-theme resort town 75 miles east of Seattle.

Their rest did not last long. ''Listen! You can hear it," two of them said in unison as orange flames leaped skyward and the hissing of orchard sprinklers was drowned out by the crackle of burning sage and timber in the forest less than a mile away.

Exhausted and weary, the team of firefighters trained to fight structural blazes in the nearby community of Yakima geared up once again to save lives and property from one of 34 forest fires burning roughly 15,000 acres in the Wenatchee National Forest of north-central Washington.

Authorities had to reach back to before the turn of the century to recall anything comparable to the fast-moving fires that have torched 28 homes in the region and destroyed at least 100 additional structures since Friday.

''These fires are incredible," said Leo Knowles, a spokesman for the Chelan County sheriff's office. ''There is nothing to compare them to over the past 100 years."

Jack Zaccardo, a spokesman for the Washington Department of Natural Resources, said, ''We saw columns of smoke that rivaled what we saw on Mount St. Helens when it erupted."

Zaccardo also expressed frustration over the emphasis that firefighters are having to place on protecting private property at the interface separating wilderness and expanding urban boundaries.

''We are protecting the houses first and therefore we cannot be as aggressive as we normally would in fighting the forest fire," Zaccardo said.

The fires here are among dozens of other major blazes roaring across eight states that are stretching resources to the limit in what federal fire authorities are calling the worst fire season in decades.

The fires erupted Friday in Icicle Creek Canyon, a few miles southwest of Leavenwoth. By Sunday, they had damaged a water-treatment plant in Leavenworth, where residents were being warned to boil their water. About 1,500 people have been evacuated from their homes on the arid eastern slopes of the Cascades.

Fire officials warned another 6,000 people on Sunday afternoon to prepare to leave as winds picked up and propelled a fire to within four miles of the city limits.

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3rd probe clears White House

Independent inquiry finds no Whitewater violations

By Judy Keen
USA TODAY

A third investigation, this by the independent Office of Government Ethics, has ed Clinton administration officials of ethical wrongdoing in the Whitewater affair.

Treasury Secretary Lloyd Bentsen announced the conclusions at an unusual Sunday news conference.

"I can reasonably conclude that the conduct of the people working here ... did not — I re did not — violate the standards of ethical conduct," Bentsen said.

The non-partisan agency explored the propriety of 40 contacts between White House and Treasury Department officials about the status of regulators' probe of Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater partner, James McDougal.

As congressional Whitewater hearings resume today, the report gives the administration new ammunition to fend off charges that its officials acted improperly.

Whitewater special counsel Robert Fiske found insufficient cause to prosecute anyone, and White House counsel Lloyd Cutler, in his own probe, found no unethical conduct.

The administration plans to wield the three exonerating reports to depict Republicans' emphasis on the contacts as partisan and unfounded.

By Joe Marquette, AP

BENTSEN: Did find some 'troubling areas'

But the top Republican on the Senate banking committee said Sunday the issue is valid. Fiske "said no criminality, but ... was it an abuse of power and was it improper?" asked Sen. Alfonse D'Amato, R-N.Y., on NBC's *Meet the Press*.

At its opening hearing last Friday, the Senate panel explored the suicide of deputy White House counsel Vincent Foster.

On the hot seat this week: Treasury counsel Jean Hanson and deputy Treasury secretary Roger Altman. Hanson says Altman told her to brief White House officials about the Madison probe; Altman denies it.

Hanson also says she kept Bentsen regularly informed. "That is not correct," he said Sunday, "and we have a different recollection of that one."

Hanson testifies today and Altman appears Tuesday before the Senate banking committee. Both appear Wednesday when the House banking committee's hearings resume. Hearings run through Friday.

Altman is a college friend and confidant of President Clinton. Hanson, a Minnesota native and former probation officer, worked at a New York law firm before joining the administration last June.

Bentsen said Sunday that the Office of Government Ethics report concludes "there were some troubling areas." Among them: Treasury officials' "misconceptions" and "misperceptions" about their roles and standards for conveying private information.

Bentsen defended his decision to share with the White House interviews conducted by Treasury's inspector-general for the report released Sunday.

If he hadn't given Cutler the information, he said, "I'm sure someone would say that we'd be obstructing a legitimate executive branch inquiry."

Invasion unit confident of Haiti mission

By Steve Komarow
USA TODAY

VIEQUES ISLAND, Puerto Rico — For the Marines ready to enter Haiti, training is fun. Waiting is hard.

"Floating around waiting for someone to make a decision, it's what we're paid to do — but it's not the ultimate we're paid for," says Staff Sgt. John Costa of Camp Lejeune, N.C. "When we first got called out, we thought we were going in."

"I figured within the next five days we could have been in," says Lance Cpl. Anthony Coleman of Harrisburg, Pa. But if they never do, "that's just fine with me," he says. "We're ready to go home."

Costa, Coleman and about 2,000 other Marines here are members of the 24th Marine Expeditionary Unit, which in ch was the last of the U.S. fighting force to leave Somalia.

The unit and the 2,000 sailors on four ships who delivered were in the Mediterra- until June, then returned home for a well-earned leave.

But when things in Haiti heated up in early July, they were recalled and sent to prepare to evacuate Americans from Haiti, and to prepare for forcibly ousting the military junta, if that's ordered.

Last weekend, the Marines used this island a dozen miles east of Puerto Rico to practice amphibious and helicopter operations, including landing craft drills and target practice.

The beaches and turquoise waters also served as a morale booster for a group eager to do its business and go home.

"It's a little refueling charge for us," said Lt. Col. David Young, landing team leader.

Col. Martin Berndt, the expeditionary unit commander, said there was nothing "unique or special" about the training here. But getting Marines off their crowded ships offered a chance to keep them sharp.

"It bucks them up," he said.

As much as reporters asked about invasion plans, the troops asked what reporters were hearing in "the real world" about when they'd get home.

The Clinton administration Sunday got a United Nations resolution allowing it to invade to restore power to president Jean-Bertrand Aristide, ousted in a 1991 coup. President Clinton has neither authorized nor ruled out an invasion.

The Marines seem little concerned about resistance from Haiti's military, which has none of the Americans' powerful, sophisticated armaments.

"If they get in our way, they'll get in trouble," said Sgt. William Colburn of Blue Rapids, Kan.

While all said they were prepared for any mission, few expressed opinions over whether involvement was a good idea.

"I personally don't want to," said Navy Operations Specialist Allen Archambault on the USS Portland. "I want to go home, that's all," shrugged the Newton, N.H., native.

Marine Capt. Ed Runkel, a Cobra attack helicopter pilot on the USS Inchon, had a 3-year-old daughter at home near Camp Lejeune. He acknowledged a conflict of feelings. "We are the best prepared unit in the Marine Corps to do this job," he said. "And I'll be kind of jealous if somebody else gets to do it."

The Marines are incre ly aware relief is coming and chances of their see tion are getting smaller.

A new group of shi Marines is expected to here in mid-August.

▶ U.N. backs invasion,

By Daniel Portno

THIS IS JUST A TEST: U.S. Marines hit the beaches of Vieques, a Puerto Rican island, in ampl ous assault vehicles as they prepare for the possibility of evacuating U.S. citizens from Haiti.

U.N. approves multinational force, 6,000 peacekeeper

The U.N. resolution authorizes formation of "a multinational force under unified command and control ... to use all necessary means to facilitate the departure of the military leadership."

It also:

▶ Approves establishment of up to 60 U.N. observers to monitor and coordinate with the multinational force.

▶ Creates a 6,000-member peacekeeper force to take over when the Security Council certifies a "secure and stable environment" exists.

The council will base its recommendations on the commander of the military intervention force, and those of U.N. Secretary-General Boutros Boutros-Ghali.

▶ Calls on the U.N. peacekeepers to help train Haiti's armed forces, create a civilian police force and help organize free and fair elections, due late in 1995.

The peacekeepers have an initial mandate of six and a completion February 1996.

Backing the resolutio were the United States, Gr ain, France, Russia, Pa stan, Argentina, the Cze Republic, Djibouti, New Ze land, Nigeria, Oman ar Spain.

Brazil, which has cultur ties to Haiti, and China a stained. The other Secur Council member, R was not present for the vo

REVIEW & OUTLOOK

Who Is Jack Ryan?

Among the Whitewater witnesses to come before Congress this week, potentially the most interesting is one of the most unheralded: John E. "Jack" Ryan, the career regulator left behind at the Resolution Trust Corp. when Friend of Bill Roger Altman departed. Mr. Ryan has been even more directly involved than Mr. Altman in some of the most curious aspects of the handling of Madison Guaranty, the Whitewater thrift.

Mr. Ryan might also be able to shed some light on the mystery of how the Bank of Credit & Commerce International won approval to buy First American Bank in Washington; he was head of Bank Supervision at the Federal Reserve when the purchase was approved. For that matter, during a brief sojourn in the private sector somehow not mentioned in recent biographies, he worked for a law firm connected to two other major financial scandals, the collapse of ESM securities in Florida and the related Ohio thrift debacle. Mr. Ryan came in as Mr. Altman's deputy at the RTC last January, along with RTC general counsel Ellen Kulka; White House counsel Bernard Nussbaum testified last week that both appointments were vetted by the White House.

John E. Ryan

"April stated very clearly that Ryan and Kulka, the 'head people,' would like to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them," read notes of a conversation with RTC Washington attorney April Breslaw written by L. Jean Lewis, the senior criminal investigator in charge of the Madison Guaranty investigation in the RTC Kansas City office. Ms. Lewis responded that the Whitewater account alone might show losses exceeding $100,000.

Ms. Lewis was subsequently removed from the Madison case. Ms. Breslaw denied she had said the things recorded in Ms. Lewis's notes, but Rep. Jim Leach said Ms. Lewis's account was corroborated by a tape recording she had made and he had heard.

Under Mr. Ryan's tenure, the RTC also upheld Mr. Altman's unprecedented decision to deny Rep. Leach's requests for documents relating to Madison. Though the RTC had provided the minority staff of the banking committee with independent access to documents relating other thrift scandals, Mr. Ryan wrote Rep. Leach that he was entitled only to documents "otherwise available to the public pursuant to the Freedom of Information Act."

We hope that when Mr. Ryan appears before the Senate Banking Committee this morning, the questioners will pause for a moment to complete his resume. When asked for a biography, the RTC supplies a release from the Office of Thrift Supervision, where Mr. Ryan served immediately before Mr. Altman chose him as a deputy. It says he joined the Fed in 1960 and served as Director of the Division of Banking Supervision and Regulation from 1977 to 1985. And that he joined the Federal Home Loan Bank of Boston in 1986, before moving to the OTS Atlanta office in 1989. Similar accounts appear in the Treasury news release announcing his RTC appointment and in an interview in the agency's own Resolution Trust News, entitled, "Getting to Know Acting CEO Jack Ryan."

In fact, according to news reports at the time, Mr. Ryan left the Fed in February of 1985 to become financial adviser to the Miami law firm of Arky, Freed, Stearns, Watson, Greer, Weaver & Harris, P.A. The next news report on his career comes in September 1986, with the announcement of his appointment to the Boston Home Loan Bank. Through an RTC spokesman, Mr. Ryan declined to be interviewed about his 18 months in the private sector.

Stephen Arky, head of the law firm that hired Mr. Ryan, committed suicide in July 1985, leaving a note declaring his innocence in the collapse of ESM Securities, and blaming his friend and client Ronnie Ewton. Mr. Arky was also son-in-law and business partner of Marvin Warner, owner of the Home State Savings Bank and also ambassador to Switzerland during the Carter Administration, partly thanks to Bert Lance, a banking friend from Georgia. The ESM collapse jeopardized Home State and led to runs on other state-insured thrifts in the 1985 Ohio banking crisis. Mr. Warner and Mr. Ewton served jail sentences for securities and banking fraud.

Senators responsible for banking regulation might want to inquire about Mr. Ryan's impression of these events, which seem to have taken place during his tenure at Arky, Freed. They might also ask about the 1981 regulatory failure that allowed front men for BCCI illegally to buy an important U.S. bank. Robert Altman was acquitted of misleading regulators, and his partner Clark Clifford was excused from trial because of age and infirmity. So we have no good account of what the mistake was.

In their cross-examination of Mr. Ryan and other witnesses at trial, Robert Altman's lawyers repeatedly suggested that the Fed was not misled because it already knew what was taking place. Mr. Ryan's supporters say that the federal regulator suspected that BCCI was behind the takeover, but lacking hard proof, did not have the political weight to go up against the mighty Mr. Clifford, a Washington icon.

Whatever the full story, Mr. Ryan joins a cast of figures with BCCI connections who also figure in the Whitewater controversy. Attorneys for Mr. Clifford and Mr. Altman included independent counsel Robert Fiske and Deputy Attorney General Jamie Gorelick, as well as Robert Bennett, president Clinton's attorney in the Paula Corbin Jones case. And, of course, Arkansas investment banking giant Stephens Inc., which says all connections with the BCCI front men ended in 1978, does acknowledge it handled their initial brokerage for the purchase.

Indeed, in the early takeover maneuvers Financial General Bankshares, First American's predecessor company, brought a 1978 lawsuit naming "Bert Lance, Bank of Credit & Commerce International, Agha Hasan Abedi, Eugene J. Metzger, Jackson Stephens, Stephens Inc., Systematics Inc. and John Does numbers 1 through 25." The suit was ultimately settled, but intriguingly, briefs for Systematics, a Stephens property, were submitted by a trio of lawyers including C.J. Giroir and Webster L. Hubbell and signed by Hillary Rodham.

We've compiled this list of coincidences in our role as aficionados of financial scandal, and recite it here because we're not confident either readers or Senators have been watching as carefully. We hope the Senate Banking Committee could help us understand what it means, if anything, and Mr. Ryan's testimony looks like a good opportunity to start.

estimony of Treasury Counsel May Determine How Altman, Bentsen Emerge From Whitewater

By Ellen Joan Pollock
And David Wessel
Staff Reporters of The Wall Street Journal

WASHINGTON – Ever since Deputy Treasury Secretary Roger Altman found himself in the Whitewater spotlight, he has pointed the finger at Jean Hanson, the Treasury's general counsel. In closed-door testimony, Ms. Hanson has pointed the finger right back. Today she gives her account in public for the first time.

Ms. Hanson, a 45-year-old political novice who was plucked from a lucrative career at the New York law firm Fried, Frank, Shriver, Harris & Jacobson, may determine whether Mr. Altman keeps his job and whether Treasury Secretary Lloyd Bentsen emerges unscathed from the Whitewater morass.

Jean Hanson

But Ms. Hanson has some explaining to do herself at the Senate Banking Committee – why she alerted then White House counsel Bernard Nussbaum last fall to warn him of press leaks concerning a possible criminal investigation of an Arkansas thrift linked to the Clintons, and why she remained silent when her bosses, Messrs. Bentsen and Altman, said things that she now says weren't true.

The testimony Ms. Hanson has already given behind closed doors creates problems both for the embattled Mr. Altman and for Mr. Bentsen. Mr. Altman says he didn't know about her September trip to see Mr. Nussbaum; she says he told her to do it. Mr. Bentsen says he didn't know in advance about a February meeting Mr. Altman and Ms. Hanson had at the White House; she says Mr. Altman told him about it.

To a large extent, this week's hearings focus on whether Mr. Altman, who testifies tomorrow, told the Senate Banking Committee the full truth back in February. Mr. Bentsen testifies Wednesday, and is likely to get kinder treatment as a long-time member of the Senate old boys' club.

In a move choreographed to produce favorable press before today's hearing, Mr. Bentsen yesterday released a report from the Office of Government Ethics that said the 40 contacts between Treasury and White House officials didn't violate executive-branch ethics rules, though it said that "many of the contacts detailed in the report are troubling." Mr. Bentsen declared that no ethical standards were violated by Mr. Altman, Ms. Hanson or his own chief of staff, Joshua Steiner, and he reiterated his confidence in them. Asked if he had any responsibility for contacts that he now says shouldn't have occurred, Mr. Bentsen said: "Absolutely not."

Mr. Bentsen has said he was unaware of the meetings his closest aides were having at the White House, but Ms. Hanson contradicts that. Mr. Altman has tried to protect his reputation by courting the press and soliciting supportive statements from President Clinton and Mr. Bentsen; Ms. Hanson undermines his account.

Until today, Ms. Hanson's account of the meetings has been limited to closed-door testimony. She has been publicly silent, letting her lawyer field media inquiries. Meanwhile, she attends to her job, working in an ornate office restored to its 19th century splendor, concentrating on matters such as sanctions against the Serbs and preparations for Bakersfield for the president's visit to Mr. Altman's

For [illegible] days in closed-door sessions that her lawyer has [illegible] Ms. Hanson [illegible] Altman told Mr. Bentsen that the two of them would brief White House aides the next day on a Whitewater-related statute-of-limitations matter. Mr. Bentsen told the Treasury's inspector general that he now recalls the meeting, but neither he nor Mr. Altman recalls any discussion about going to the White House. "We have different recollections," Mr. Bentsen said at a news conference yesterday.

Three weeks later, on Feb. 24, Mr. Altman told the Senate Banking Committee that he had had only one substantive contact with the White House on all this and said he knew of no other contacts. Ms. Hanson helped Mr. Altman prepare for his Senate testimony, sat behind him as he testified and discussed the hearing with him at lunch afterwards. But according to one of Mr. Altman's supporters, Ms. Hanson didn't tell him she had met with the White House the previous fall. And Mr. Altman says he didn't learn about that until he got a call a week later, on March 1, from White House aide John Podesta. On March 2, he wrote Banking Committee Chairman Donald Riegle (D., Mich.) to say he had just found out about the earlier meetings. Ms. Hanson reviewed the letter, but didn't point out to Mr. Altman that he had told her to go to the White House, something she later testified to.

About the same time, Ms. Hanson apparently realized all of her conversations about Whitewater were likely to be scrutinized by investigators and reporters. So on March 2, she hired Harvey Pitt, a partner at her old law firm and a former general counsel of the Securities and Exchange Commission.

Only then, according to a friend who declined to be identified, did she sit down to reconstruct the events of the previous months, remembering pivotal incidents she had failed to recall previously. In the process of trying to organize her recollections, she even compiled a fresh document that contradicts her later Senate testimony by saying no one told her to confer with White House counsel Nussbaum last fall.

Viewing herself as a potential witness in a special prosecutor's criminal investigation, a friend of hers says, she bent over backwards to avoid tainting that probe. She never compared notes with Mr. Altman or Mr. Bentsen. She remained silent while Mr. Altman misled the Banking Committee. And she didn't tell Mr. Bentsen to his face that his public statements didn't match her own recollections. "There was an investigation going on and the general understanding is that it's better if people don't communicate orally," the friend says.

On March 3, Mr. Bentsen surprised aides with a terse public statement distancing himself from the whole mess and saying he hadn't known about the Treasury-White House contacts. Mr. Bentsen's staff then began preparing for the inevitable questions about Whitewater at an unrelated congressional hearing scheduled for March 8.

According to Ms. Hanson's friend, she was shown drafts of questions that Mr. Bentsen might be asked and his possible answers. "Her objective was not to let the Secretary make any statement that was inaccurate or could create problems for him when all of the events were finally a matter of public record," her friend says. So, according to documents supplied to Congress, she offered the written suggestion that Mr. Bentsen tell the committee that he had known of Ms. Hanson and Mr. Altman's February White House meeting and that he say he hadn't "previously recollected that discussion."

She urged Mr. Bentsen's aides to show him her suggestions, but never spoke directly to her boss, according to her friend's account. At the hearing, Mr. Bentsen used the special prosecutor's investigation as an excuse not to reply to the questions, but continues to stick by his original assertion.

Mr. Pitt, Ms. Hanson's lawyer, says "Jean will testify this week before both the Senate and the House, and those are the appropriate forums for a discussion of what happened. I can say that she is remarkable person with unusual integrity, dignity and grace."

Ms. Hanson is bound to be confronted today with new report that she asked Resolution Trust Corp. officials to give her copies of the Whitewater-related criminal referrals. According to the Associated Press, another Treasury lawyer said, "Jean, I don't think it would be appropriate," and she never got the copies.

Unlike most of the other characters in the Whitewater drama, Ms. Hanson hasn't any connections to Mr. Clinton or Democratic politics. She was recommended to Mr. Bentsen by former Deputy Treasury Secretary Robert Carswell who, among others, was asked to find candidates – preferably women – for the post. As a partner at her New York law firm, she played a pivotal role in a raft of high-profile corporate deals. She helped Procter & Gamble Co., for example, win the battle for Richardson-Vicks Inc. by putting in punishing hours to complete deal documents before other companies courting the family-owned company had their act together. "You don't find that many women in the legal profession who have that range of skills, so she was kind of unique," Mr. Carswell says.

She was a political novice, but Robert Mundheim, a former Treasury general counsel who helped recruit Ms. Hanson and who now works for Salomon Brothers Inc., says he didn't see that as a serious shortcoming. "I thought that was something that she would learn," he says.

THE WALL STREET JOURNAL MONDAY, AUGUST 1, 1994

THE COUNSEL'S PAPERS

Treasury general counsel Jean Hanson has emerged as an important figure in Congress's dissection of a series of White House-Treasury contacts on the Whitewater investigation. Hanson, who is scheduled to testify before the Senate Banking, Housing and Urban Affairs Committee today, gave then-White House counsel Bernard Nussbaum and lawyer Clifford Sloan a "heads-up" on the case at a meeting on Sept. 29, 1993, an action that Republicans have characterized as improper back-channeling of information about a developing probe. White House officials say they were simply gathering information to better respond to inquiries from the news media.

Some of the documents that Hanson turned over to House and Senate committees shed light on her close monitoring of the potential fallout from the case. A Hanson memo dated Sept. 30 indicates that she informed her boss, Deputy Secretary Roger C. Altman, of her discussion with the White House counsel's office. In that memo she asked, "Is there anything else you think we should be doing?" Altman did not mention the Sept. 29 meeting or Hanson's memo when he testified before Congress about White House contacts a few months later.

Hanson's calendars from the relevant days have been heavily "redacted"—a bureaucratic term that refers to the deletion of extraneous material—and give a foggy picture of the sequence of events.

Another document shows her rehearsing answers if she is ever asked about the meeting by Congress.

JEAN HANSON, Treasury general counsel

Sept. 30 memo

DEPARTMENT OF THE TREASURY
WASHINGTON
GENERAL COUNSEL

4.1

September 30, 1993

MEMORANDUM FOR ROGER C. ALTMAN
DEPUTY SECRETARY

FROM: JEAN E. HANSON

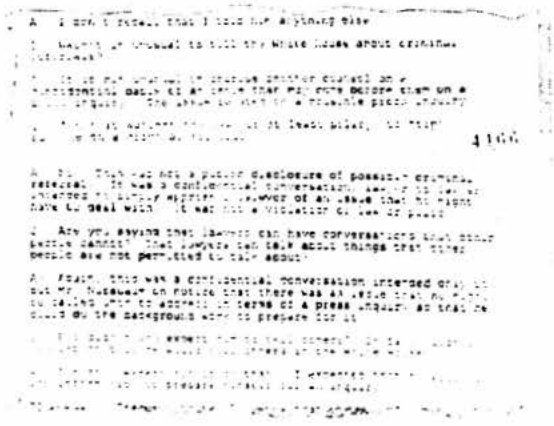
SUBJECT: The Rose Law Firm

I have spoken with the Secretary and also with Bernie Nussbaum and Cliff Sloan.

I have asked Bill Roelle to keep me informed. Is there anything else you think we should be doing?

"Redacted" calendar

Practice answers



For Treasury's Top Lawyer, Cross-Examination Awaits

By Clay Chandler
Washington Post Staff Writer

Before she signed on last year as the Treasury Department's top lawyer, Jean Hanson, a hard-working Minnesota native and mother of twins who rose to the top of a prestigious New York law firm, knew almost nothing of Washington—and vice versa.

But all that changed a few months ago, when Congress began asking tough questions about whether she and Deputy Treasury Secretary Roger C. Altman meddled in a government investigation of Madison Guaranty Savings & Loan, a failed Arkansas thrift with ties to President Clinton.

Now Hanson, 45, described by colleagues as a smart, conscientious attorney without political ambitions—finds herself at the center of a highly charged congressional inquiry into the Whitewater matter. Today members of the Senate Banking Committee are to grill Hanson about her role in the case. At issue is whether Hanson, who worked closely with Altman—then acting head of the Resolution Trust Corp., the government agency that initiated the Madison probe—acted improperly in alerting top officials at the White House of a criminal investigation involving the Clintons.

A report released yesterday by the Office of Government Ethics, a nonpartisan government agency, found that Hanson and other Treasury officials did not violate government ethics laws. Treasury Secretary Lloyd Bentsen hailed the report as a vindication of his staff.

"The conduct of the people working here, as described in the report, did not, I repeat, did not violate the standards of ethical conduct for executive branch employees," Bentsen said at a news conference.

But the 27-page ethics review offered Hanson and her colleagues something less than absolution. In it, OGE Director Stephen D. Potts said many of the contacts between Treasury and the White House were "troubling."

"Treasury employees who performed both Treasury and RTC functions seem to have failed to appreciate which roles they were performing and, thus, which agency's policies and regulations applied," Potts said.

Those conclusions bode ill for Hanson who, as Treasury's general counsel and the most senior of the department's nearly 2,000 lawyers, was expected to help colleagues steer clear of such conflicts.

An honors graduate from the University of Minnesota Law School, Hanson specialized in corporate finance and securities law as a partner at Friend, Frank, Harris—one of New York's most powerful law firms. In 1989 she was one of 10 women named among the nation's 50 most influential lawyers by the National Law Journal.

Hanson was recommended for the Treasury job last year by Robert Mundheim, a top lawyer at Salomon Brothers Inc. who served as Treasury's general counsel in the Carter administration.

Treasury officials say Bentsen was so impressed after interviewing Hanson that he hired her on the spot.

But in hearings today, Hanson's legal judgment is likely to draw fire. She will be closely examined because testimony she has given both to congressional investigators and Treasury's inspector general differs on several key points with testimony provided by Altman and Bentsen.

And in some areas, she seems to contradict herself.

Hanson has indicated, for example, that she informed Altman and Bentsen in September about the RTC's plan to initiate a criminal referral—a formal request for legal action by the Justice Department—against Madison Guaranty. She has also said Altman instructed her to convey that information to then-White House counsel Bernard Nussbaum.

Altman, however, says he does not recall Hanson telling him about the Madison probe in September and denies asking her to contact White House lawyers.

Bentsen also denies Hanson told him about the Madison case before reports surfaced in the press. But a document Hanson provided to investigators seems to undermine her assertion that Altman and Bentsen knew about the probe. In the document, which appears to be a set of practice questions and answers prepared for future testimony, Hanson states that she did not inform other Treasury officials about her September meeting with Nussbaum.

"Who in Treasury or the RTC knew that you had this conversation?" asks Hanson's hypothetical examiner. "I don't recall that I told anyone of the conversation," she replies.

"Did you tell Mr. Altman?"

"No."

"Did anyone ask you to have this conversation?"

"No."

Hanson declined comment before she testifies today, but a source familiar with the investigation said she will disavow the document as an early and incomplete attempt to recall events.

Altman and Bentsen have been careful not to criticize Hanson. But her testimony may create new pressure for Clinton officials to point fingers at each other.

Behind the controversy are two starkly different pictures of Hanson. Defenders see her as a diligent attorney who has been unfairly blamed for communications that only in retrospect seem improper.

Detractors, however, say Hanson showed reckless disregard for circumstances any good lawyer should have recognized as ethically questionable. Instead of warning Altman and other Treasury staff to avoid contacts that blurred the lines between themselves, the White House and the RTC, her critics say, Hanson encouraged greater coordination.

In a computer message Hanson sent to Altman in January, she seems to offer advice about how the White House might minimize bad publicity about Whitewater. "I do not understand why no lawyer from the White House Counsel is on the new 'team,' " Hanson wrote. "The team needs legal advice from competent lawyers with damage control experience. . . . Presumably, talking with each other would decrease the likelihood that the senior people would blame each other in the press."

No Violations Of Ethics Cited At Treasury

Whitewater Contacts Were Often 'Troubling'

By Susan Schmidt
Washington Post Staff Writer

The conduct of Treasury Department officials who discussed the Whitewater investigation with White House officials is "troubling" but was not in violation of legal ethics provisions, according to an analysis released yesterday by the Office of Government Ethics.

The OGE did not find violations of the Standards of Ethical Conduct for Employees of the Executive Branch. "However, many of the contacts detailed in the report are troubling. . . . Treasury employees who performed both Treasury and [Resolution Trust Corp.] functions seem to have failed to appreciate which roles they were performing and, thus, which agency's policies and regulations applied," the report said.

Specifically, it said RTC policies prohibiting disclosure of confidential information about a criminal investigation may have been violated by Treasury officials. But for such an action to constitute a violation of the ethics code, the OGE said, it would also have to have been for the purpose of advancing someone's private interests. The OGE said it found no such intention on the part of Treasury officials.

The review was prepared over the weekend for Treasury Secretary Lloyd Bentsen, who wanted it completed before he testifies this week to congressional committees looking

See WHITEWATER, A6, Col. 1

■ *A look at Jean Hanson, general counsel at Treasury.* *Page A19*

WHITEWATER, From A1

into the White House-Treasury contacts on Whitewater. The OGE review was based on interviews and investigative work done by the inspectors general of the Treasury and the RTC.

House and Senate banking committees are investigating the propriety of Treasury political appointees passing on to the White House information about the RTC's civil and criminal investigations of Madison Guaranty Savings & Loan, a failed Arkansas thrift with ties to President Clinton and Hillary Rodham Clinton. Treasury officials, including Deputy Secretary Roger C. Altman and general counsel Jean Hanson—had access to information because the administration had not selected a permanent chief for the independent RTC and for about a year they oversaw its activities.

The OGE report also chips away at the defenses by Altman and Hanson of their actions.

Hanson and White House officials have maintained that she passed along information about the RTC's criminal investigation only because of anticipated press reports about the probe.

In an interview with the inspector general, former RTC vice president William Roelle said he had not told Hanson the information had leaked to the press. He said he cautioned her against discussing it with anyone because he feared it would leak.

He said he advised Hanson that no one else at Treasury except Altman should be told that the Clintons were being named in a criminal referral being sent by the RTC to the Justice Department.

"I never dreamed they would discuss it with the White House," Roelle told the inspector general.

Roelle also said he attended a meeting Oct. 7, 1993, with Altman and advised him of press inquiries about the criminal referrals. Roelle told the inspector general that Altman called Hanson and told her to notify then-White House counsel Bernard Nussbaum. Altman has denied directing Hanson to pass information about the referrals to Nussbaum.

Hanson told the inspector general that she believed Roelle had told her the information about the Clintons would end up being leaked to the press.

"Since there is no information in the report suggesting that Ms. Hanson had any purpose other than assisting the White House to perform its press function we believe that there is a reasonable basis to conclude that Ms. Hanson's disclosures were not made to further a private interest. Whether it is an appropriate activity for Treasury employees to assist the White House press office in carrying on its functions in fielding questions about the personal interests of the First Family would seem to be a management issue," wrote OGE Director Stephen D. Potts.

Bentsen, who released the OGE review at a news conference, said he has "the highest regard" for the Treasury officials whose actions were examined. "As I've said before . . . in hindsight it would have been better if some of these contacts had not occurred." But he stressed that no legal transgressions were found, either by OGE, "an independent nonpartisan ethics agency," or by special counsel Robert B. Fiske Jr., whose three-month probe found insufficient evidence to bring criminal charges.

Last week White House counsel Lloyd N. Cutler found "regrettable lapses in judgment" but no ethics violations among White House officials.

Essay

WILLIAM SAFIRE

A Chorus Line

WASHINGTON

"Shut up!" hollered Representative Maxine Waters, Democrat of California, at a Republican who dared ask embarrassing questions about wrongful White House intrusion into a criminal investigation. For her "demeanor" in thus obstructing Congressional oversight, Representative Waters's speaking rights were suspended for all of 30 seconds by the Speaker.

The dismaying spectacle of House Democrats trying to protect Clinton Administration wrongdoers from public exposure was further heightened by "The Chorus Line": 10 White House aides, all in a row, piously chorusing "no" to a Democrat asking if they were all villains.

Democrats last week demonstrated they cannot investigate Democrats. If voters needed a reason to unseat the cover-up Congress, the performance of Henry Gonzalez's trained seals provided that reason.

Before our eyes is a pattern of 20 improper contacts between supposed law enforcement officials at Treasury and Presidential advisers eager to avoid a serious investigation of their boss; if that is not an egregious breach of ethics, then nothing is unethical. If Treasury Deputy Secretary Roger Altman, a Clinton crony, did not deceive Congress with his original untruthful testimony about only one contact, then nothing is misleading.

Consider one tiny facet of the Whitewater cover-up found in the damning diary of Joshua Steiner, Secretary Bentsen's chief of staff, forced into the public record despite the Democrats' anti-oversight deal with non-independent counsel.

Altman was supervising the agency asking a reluctant Clinton-appointed prosecutor to look into the sleazy S.& L. deal benefiting the Clintons. After a New York Times editorialist telephoned, Altman — who had been surreptitiously helping Clinton's public and personal lawyers anticipate moves of the regulators — decided to recuse himself because his conflict of interest was becoming all too obvious.

As Altman, fearing exposure of his back-channel, bailed out of the hot seat, George Stephanopoulos demanded to know why an anti-Clinton prosecutor had been chosen to investigate.

> 'Find a way to get rid of him.'

At the time, I saw nothing wrong in George "blowing off steam," as he put it, about the independent agency's appointment of a partisan prosecutor. "Perfectly natural," in counsel Lloyd Cutler's words. Besides, I like and respect the young man, and have nothing but scorn for Popinjay Stephens, who as U.S. Attorney stooped to using a demeaning sex lure to entrap the Mayor of Washington.

But now I read the text of the Steiner diary: "... George then suggested to me that we needed to find a way to get rid of him. Persuaded George that firing him [Stephens] would be incredibly stupid and improper."

That has the ring of truth to it. *Find a way to get rid of him*, coming from the man whose West Wing office adjoins the President's, is not — as the laughable ethicist of the Clinton Administration euphemized it yesterday — merely "expressing concern."

If a Republican White House aide said that about an unfriendly prosecutor, the remark would have been interpreted by many as an attempt to impede an investigation, and might have triggered an editorial firestorm, Congressional outrage, indictment, conviction and a jail term (followed by a lucrative CD-ROM memoir, radio talk show and Senatorial nomination).

Perhaps Mr. Steiner went before a grand jury to disavow what he wrote. He would not confirm or disavow it in talking to me yesterday; over to you, Republican senators.

George, accessible and forthright as always, tells me "I do not remember saying that" and will take that position before the Senate.

Evidently Robert Fiske, the Clinton-appointed investigator, chose to disbelieve or ignore the Steiner diary entry, or was inclined to impute an innocent intent to the improper imperative.

He cheerfully sees no evil: In the Vincent Foster case, no bullet or skull fragments were found, but Fiske is certain that death took place at that spot; the eyewitness who discovered the body saw two hands palms-up with no gun, and now insists he was badgered 25 times into allowing the possibility that he may have been mistaken.

What's with this non-independent counsel who helps Democrats avoid oversight? Find a way to get rid of him. □

Topics of The Times

The Last Bookshop

When the doors closed this weekend at the Pageant Bookshop at 109 East 9th Street, they also closed an era in which Fourth Avenue proclaimed itself "the Book Row of America."

The avenue's cluttered secondhand bookshops, once numbering a score or more, with bins lining the sidewalk from 15th Street south to Astor Place, provided the New York equivalent of the Parisian bookstalls on the banks of the Seine. But Book Row has now gone the way of such nearby landmarks as the Academy of Music, Klein's clothing store ("On the Square") and Lüchow's, once the city's premier German restaurant.

Pageant Bookshop, which is just off the avenue, was founded in 1946 by Sidney Solomon, and after his retirement was taken over by his daughter, Shirley. "Most of the old bookshops were family affairs," Ms. Solomon recalled. "And most of them vanished in the 1970's when the children simply weren't interested in continuing in the business. Besides, we are a general bookstore, selling maps and prints as well as books, and nowadays specialists have taken over the rare book trade. Most of them working out of their homes or lofts, and selling by mail-order catalogues."

For many book [illegible] catalogues are no substitute for the distinctive [illegible] and browser and furniture [illegible] of the old Fourth Avenue shops with names like Bill's Tattered Tomes, Antiquarian and Grand Book [illegible] [illegible] [illegible]

Rabin Talks To Mubarak About Syria

By YOUSSEF M. IBRAHIM
Special to The New York Times

TABA, Egypt, July 31 — President Hosni Mubarak of Egypt and Prime Minister Yitzhak Rabin of Israel met here today to discuss peace negotiations between Israel and Syria. They gave no indication that there had been significant progress in bringing the two sides closer to a treaty.

In a news conference at this idyllic summer resort near the Israeli border, the two leaders said they had no idea what it would take to persuade President Hafez al-Assad of Syria to follow the example of Egypt, the Palestine Liberation Organization and Jordan in moving to end the state of belligerency between his country and Israel.

The meeting was set for Mr. Mubarak to report to Mr. Rabin on the results of his talks earlier in the week with Mr. Assad. But even before the meeting, several Israeli officials signaled that they held little hope, largely because they felt that Mr. Mubarak exercised little influence with the Syrian President.

Egyptian Leader's Role

"The main role President Mubarak sees for himself — and an important role in the Syrian-Israeli process — is to pass on perceptions, and not necessarily some sort of specific messages between the two sides," Yossi Beilin, the Israeli Deputy Foreign Minister said.

Mr. Rabin said Syria needed to move toward direct talks with Israel instead of relying on intermediaries like Egypt and the United States.

"Syria has to do something in its public diplomacy that will bring the people of Israel the conviction that Syria is eager to have peace," Mr. Rabin said. "I will give you an example. When President Sadat came to Jerusalem, believe me, he broke all the psychological walls." He was recalling the historic visit to Israel in 1977 of President Anwar el-Sadat of Egypt, which led to the first peace treaty between Israel and an Arab country.

"We haven't seen anything of this kind or on this scale from Syria," Mr. Rabin said. Recalling last week's events in Washington, in which he and King Hussein of Jordan signed a nonbelligerency declaration at the White House and addressed a joint meeting of Congress, the Israeli leader said: "I was told that Syrian television showed part of the Washington ceremonies. Maybe this is something."

"Israel wants peace with Syria and we are ready to understand that there will be certain requirements for us," he added.

Doubts About Arafat

Speaking of Yasir Arafat, the P.L.O. chairman, Mr. Rabin also expressed some skepticism about the organization's performance since it obtained limited self-rule in the Gaza Strip and Jericho.

Mr. Rabin criticized Mr. Arafat and the international donors who had agreed to finance some $2.4 billion worth of investments in the two regions for doing little so far to revive the economy of the formerly occupied territories.

He [illegible] that [illegible] to do so [illegible] with the [illegible] with the autonomy agreement signed by the [illegible] in Cairo.

Hearing May Lead Lawyer To Undermine Her Clients

By JOHN H. CUSHMAN Jr.
Special to The New York Times

WASHINGTON, July 31 — Jean E. Hanson, the general counsel of the Treasury Department, will face a lawyer's nightmare when she appears on Monday at the Whitewater hearing of the Senate Banking Committee. In trying to defend her own actions, she may undermine the credibility of her principal clients.

Ms. Hanson, 45 years old, is one of dozens of Government officials called to testify before House and Senate hearings this week into the Administration's handling of the Whitewater investigation. She is a former Wall Street lawyer who had no political prominence until now.

As the leader of about 1,200 staff lawyers at the department, she is the head lawyer for Treasury Secretary Lloyd Bentsen and Deputy Secretary Roger C. Altman. Both are among the primary witnesses expected to testify this week.

At the crux of the hearings will be differences in the explanations of these top Treasury officials about a series of contacts about Whitewater with officials from the White House and the Resolution Trust Corporation, an independent agency that handles savings and loan bankruptcies.

Ms. Hanson's account of what happened, spelled out in memorandums and depositions provided to investigators so far, has come under close scrutiny, and her version sometimes contradicts what Mr. Altman and Mr. Bentsen have said they remember.

Some Republicans on the committee contend that Mr. Altman, who at the time was the acting head of the trust corporation, misled the committee in testimony about his knowledge of the contacts between regulators and the White House about Whitewater matters.

It is of little help to him to have his statements contradicted by his own department's lawyer, who helped him supervise the R.T.C. in most legal matters.

Ms. Hanson was the first Government official known to have informed the White House, in a briefing on Sept. 29, 1993, that a criminal investigation of a bankrupt savings and loan in Arkansas might begin and that it would touch on the Clintons' business dealings in Arkansas, including in the Whitewater development. She has told investigators that Mr. Altman asked her to brief the White House.

Today, the Treasury Department released an internal review by the Office of Government Ethics that said Ms. Hanson and other Treasury officials had not violated ethics rules by talking to White House officials. The review reached no conclusion on the question of whether she had acted on Mr. Altman's orders.

Potential Trouble Spots

The Treasury Department also released new details of its own inspector general's investigation into what happened. Scattered throughout the memos and depositions quoted in the Treasury Department's report are contradictions that Ms. Hanson will have to navigate in her testimony.

For example, Mr. Altman said in his deposition that he had no recollection of asking Ms. Hanson to talk to the White House or to Mr. Bentsen about the investigation of the Arkansas savings and loan. But Ms. Hanson [illegible] when she [illegible] with Mr. Altman in September it had become [illegible] that I had the responsibility [illegible] the White House counsel.

She told investigators that, having briefed the White House lawyers, "I felt that I had fulfilled my responsibility as authorized by Mr. Altman."

The effect of Ms. Hanson's Congressional testimony may rely largely on whether she flatly contradicts Mr. Altman and Mr. Bentsen, or whether she she seeks to minimize their differences.

Ms. Hanson declined to be interviewed this weekend, speaking through her lawyer, Harvey Pitt. Mr. Pitt works at Fried, Frank, Harris, Shriver & Jacobson, where Ms. Hanson was a New York partner before joining the Administration in 1993. Mr. Altman was temporarily in charge of the R.T.C. at that time. As a result, Ms. Hanson, his main legal adviser, became closely involved in the agency's legal dealings.

When a senior R.T.C. official phoned Mr. Altman in September to tell him that the agency was recommending a criminal investigation that might touch on the Clintons, Mr. Altman referred the matter to Ms. Hanson, according to depositions by Ms. Hanson and the R.T.C. official. Mr. Altman said he did not recall that. A few days later, after briefing the White House, she informed Mr. Altman in writing that she had done so, that she had also spoken to Mr.

Questions will focus on Whitewater contradictions.

Bentsen about it and that she had asked the R.T.C. to keep her informed. "Is there anything else you think we should be doing?" she asked.

Mr. Altman, in his deposition, said he could not recall the memorandum, and Mr. Bentsen said he did not recall talking to either Mr. Altman or Ms. Hanson about it.

The investigators have some evidence that will be difficult for Ms. Hanson to explain. For example, her files contained copies, including one torn in half, of a memorandum questioning her about the initial briefing she gave to the White House.

"Q: Did you tell Mr. Altman? A: No," she wrote in that memorandum. "Q: Did anyone ask you to have this conversation? A: No."

At the hearings, she will probably be challenged to explain whether this was a false version of events, whether she was wrong to say later that Mr. Altman had instructed her to brief the White House or whether, as she might explain it, the memorandum was simply an early recollection of events, part of a mental process that eventually led her to remember all the events in full detail.

Ms. Hanson may also have to explain why she did not assert, when Mr. Altman first disclosed her White House contacts, that she was acting on Mr. Altman's instructions and with Mr. Bentsen's knowledge.

Ms. Hanson was recommended for her Administration job by Robert H. Mundheim, a former Treasury general counsel and former co-chairman of the Fried, Frank law firm. "She was a first-rate lawyer," he said, adding, "I also thought she would be a person of great integrity."

That reputation, rather than her official clients at the Treasury, may be what Mr. Harris [illegible] defending [illegible] when she testifies.

Whitewater,690
Senate Panel to Focus on Agency That Began Whitewater Probe
w Photo WX101
Adv: Senate hearing begins at 10:30 a.m. EDT; will be led
By LARRY MARGASAK= Associated Press Writer=
WASHINGTON (AP) Armed with an ethics report criticizing Treasury Department disclosures of Whitewater material, senators are focusing on the agency that started the probe involving President Clinton's land deal.

Current and former officials of the Resolution Trust Corp. are appearing before the Senate Banking Committee today, followed by Treasury general counsel Jean Hanson who briefed White House officials about the investigation.

The Office of Government Ethics reported Sunday that no Treasury Department employees violated ethics rules but that Hanson disclosed too much confidential material to the White House. The former chief Treasury Department spokesman, Jack DeVore, went too far in confirming sensitive information to a reporter, the report said.

The RTC has been investigating civil wrongdoing in the Whitewater case and has sent nearly a dozen memos asking the Justice Department to consider criminal prosecution. A criminal investigation is now under way by special counsel Robert Fiske, whose initial report concluded there was no criminality in Treasury Department-White House contacts.

At least one of the RTC memos, called criminal referrals, mention the president and first lady Hillary Rodham Clinton as possible witnesses, according to publicly released notes of a White House lawyer.

The RTC is investigating the failure of Madison Guaranty Savings and Loan, a thrift that was owned by the Clintons' business partner in the Whitewater Development Corp. an Arkansas land venture that also flopped.

One key question is whether the land deal caused losses at Madison, which needed a taxpayer bailout of $47 million to $60 million.

Treasury Secretary Lloyd Bentsen requested the report by the ethics agency, which is a watchdog for the executive branch and not connected to the Treasury Department.

Hanson gave the White House information that ``would seem to go beyond what was necessary'' to achieve her stated purpose: helping presidential aides answer press inquiries, the report said.

DeVore, now retired from government, violated the policy of the RTC by confirming the existence of a criminal referral to a reporter, the report said.

The ethics report found nothing wrong with briefings for White House officials by Deputy Treasury Secretary Roger C. Altman, nor with the delayed decision by Altman an old friend of the president's to disqualify himself from the probe. Altman had served in the dual role of acting head of the RTC.

The criticism of Hanson focuses on a briefing about the criminal referrals that she gave White House officials last September. White House counsel Lloyd Cutler told Congress that Hanson said she was relaying information passed on by a reporter who was asking about the referrals.

However, Sept. 30 notes by Clifford Sloan, a White House lawyer, ``would suggest,'' the report said, that Hanson included material that was not part of the press inquiry. The notes said the referrals mentioned allegations against Arkansas Gov. Jim Guy Tucker, former Sen. J. William Fulbright and Clinton's 1985 gubernatorial campaign.

``Ms. Hanson's possible disclosure of information other than that relating to the president would seem to go beyond what was necessary to achieve her stated purpose of assisting the White House with its press function,'' the report said.

DeVore, according to the report, confirmed to a reporter last October that the criminal referrals had been forwarded to the Justice Department.

``His disclosure ... appears to have violated RTC's disclosure policy'' of neither confirming nor denying criminal referrals, the report said.

Because of the ``great lengths to which he went to obtain information'' for the reporter, the report said, ``it raises at least an appearance (of conflict of interest) in our minds.''

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Whitewater Talks Troubling, Not Unethical, Agency Says

A1

By STEPHEN LABATON
Special to The New York Times

WASHINGTON, July 31 — A nonpartisan Federal ethics agency concluded today that Treasury officials violated no ethics regulations when they briefed White House officials about an investigation into a savings and loan with ties to President Clinton and his wife. But the agency found the meetings troubling and said that some senior officials did not fully understand the ethics rules.

The report was prepared by the Office of Government Ethics, the main executive branch agency for handling ethics issues, which is staffed by career civil servants. It was released at a news conference today by Treasury Secretary Lloyd Bentsen, as he and other senior Treasury officials were preparing to be questioned by members of the House and Senate banking committees this week at separate hearings examining the Administration's handling of the Whitewater investigation.

The discussions between White House and Treasury officials, which took place from September 1993 to last February, concerned an investigation by the Resolution Trust Corporation into Madison Guaranty Savings and Loan and one of its law firms, the Rose Law Firm of Little Rock, Ark., where Hillary Rodham Clinton had been a partner. Madison had been owned and operated by a business partner of the Clintons in the Whitewater Development Company, an Ozarks real estate venture. The savings association failed in 1989, costing taxpayers more than $60 million.

When the White House counsel, Lloyd N. Cutler, appeared before the House banking committee last week to open the Whitewater hearings, he said the Office of Government Ethics had given him an "informal opinion" that no standards had been violated.

But today's report concluded that even though no ethics regulations were violated, "many of the contacts detailed in the report are troubling." It said that political appointees at Treasury who were also serving as regulators at the Resolution Trust Corporation, the savings and loan bailout agency, often confused what roles they were playing.

"In the course of our review, it appeared that there were some misconceptions on the part of Treasury employees that may have contributed to the fact that those contacts occurred," the report said. "Treasury employees who performed both Treasury and RTC functions seem to have failed to appreciate which roles they were performing and, thus, which agency's policies and regulations applied."

While the report provided a summary of Mr. Bentsen's testimony that he was unaware of the Treasury-White House discussions, it also provided more evidence that he discussed Whitewater generally with his senior aides and with the White House and was concerned about its political implications.

The ethics report also said that discrepancies in testimony by two top Treasury officials — Deputy Secretary Roger C. Altman and the department's counsel, Jean Hanson — had made it impossible to determine whether certain regulations had been violated.

The early Treasury-White House discussions involved the fact that the trust corporation was considering referring the case to the Justice Department for a criminal investigation that named the Clintons as possible witnesses and beneficiaries of improper payments from Madison.

The discussions in February were about whether Mr. Altman, a friend of the President since their undergraduate days at Georgetown University, should remove himself from the decision on whether the trust corporation should file a civil lawsuit involving Madison and possibly the Clintons. In addition to his position at Treasury, Mr. Altman was acting head of the trust corporation at the time.

Ultimately, the criminal referral was made to the Justice Department, and the matter is now being investigated by the Whitewater independent counsel, Robert B. Fiske Jr. The civil suit is still being considered by trust corporation lawyers.

Criticism of Report

Even before it was issued, the report was criticized by some Republican lawmakers because it was based on an investigation by the Inspector General's Office at the Treasury Department that was done jointly with the White House. In other Federal departments, the Inspector General offices seek to keep a distance from politics, but Treasury's Inspector General shared many investigative findings with Mr. Cutler before Treasury made the report public.

The report by the ethics office did not try to reconcile the conflicting accounts of the meetings between White House and Treasury officials given to investigators by Mr. Bentsen, Mr. Altman and Ms. Hanson.

Their differing recollections have led senior Administration officials to conclude that a shake-up at Treasury is all but inevitable. Ms. Hanson, for instance, is expecting to testify on Monday and provide an account that is at odds with what Mr. Bentsen and Mr. Altman have told investigators.

The report did not address whether Mr. Altman misled Congress on Feb. 24, when he told the Senate banking committee that he had had only one significant discussion about the Whitewater case with the White House. Since then, he has amended his testimony four times.

Details From Diary

The report also disclosed new portions of Mr. Altman's diary in which he wrote of how "this Whitewater situation is one big mess" and recounted a discussion he had about the case in January with Mr. Bentsen. In the discussion, which is recorded on Jan. 2, Mr. Altman recalls Mr. Bentsen comparing the Administration's handling of Whitewater to former President Richard M. Nixon's handling of Watergate.

During the discussion, the diary said, Mr. Bentsen also recalled the political lessons he had learned after news accounts in 1987 made public a club he had formed as a Senator in Texas, in which lobbyists paid $10,000 each to his re-election campaign in exchange for a monthly breakfast with him. Shortly after the articles appeared, Mr. Bentsen disbanded the group and acknowledged that he had made "a doozy" of a blunder.

THE NEW YORK TIMES, MONDAY, AUGUST 1, 1994

Misconceptions, Misunderstandings Cited in Whitewater Report (Washn) By Charles V. Zehren= (c) 1994, Newsday=

WASHINGTON ''Misconceptions,'' ''misperceptions'' and ''misunderstandings'' resulted in top Treasury Department officials engaging in ''troubling'' contacts with aides to President Clinton concerning federal Whitewater investigations, according to an Office of Government Ethics report released yesterday by Treasury Secretary Lloyd Bentsen.

But the 27-page review concluded that none of the contacts by the Treasury officials, who are slated to testify under oath before the Senate and House beginning Monday, violated official standards of ethical conduct for executive branch employees.

Bentsen snapped at a reporter Sunday when asked at a news conference if Treasury officials were using ignorance, feigned or real, as a cover for misconduct.

''Oh, cut it out ... What you have here are some able, intelligent people ... doing what they think is right,'' he said, defending Treasury general counsel Jean Hanson, chief of staff Josh Steiner and Deputy Treasury Secretary Roger Altman.

The current phase of the congressional Whitewater investigations concerns contacts meetings, telephone calls and facsimile transmissions between administration officials and regulators from agencies probing Madison Guaranty Savings and Loan. The Arkansas thrift, which failed in March 1989, at a cost to the taxpayers of at least $47 million, is suspected of diverting funds to Bill Clinton's gubernatorial campaign and controversial Whitewater real estate investment.

The ethics report ruled out violations of at least nine specific federal ethics provisions. Nevertheless, it concluded that ''many of the contacts detailed in the report are troubling.''

Specifically, the report said some of the officials engaged in the contacts because they had ''misconceptions'' about their proper role as regulators, given that they worked for the Treasury Department as well as the Resolution Trust Corp., which was investigating Whitewater. The review also said the officials had ''misperceptions'' about the propriety of giving secret information on the Whitewater probe to the White House. And, the report said, the officials had ''misunderstandings'' about when they should disqualify themselves from the Whitewater investigation to avoid a possible conflict of interests.

In February, in testimony before the Senate, Altman first acknowledged only one contact, then a few. But in his report released earlier this summer, special counsel Robert Fiske counted 20. Then, last week, White House counsel Lloyd Cutler put the number ''in the low 30s.'' And Sunday, the report signed by Office of Government Ethics Director Stephen Potts listed no fewer than 40 contacts, two involving Clinton personally.

All the investigations concluded that the contacts were legal and White House officials say they did nothing to influence the outcome of the federal government's Whitewater investigation. Altman has repeatedly denied any wrongdoing.

(Optional Add End)

Bentsen portrayed the ethics office as an independent agency with [illegible] ground. But the Office of Inspector General, which helped the ethics office complete its review, falls under Bentsen's authority at the Treasury Department. Moreover, Bentsen himself has been caught up in the controversy.

To be [illegible] there is no indication that Bentsen or the Treasury Department inadequately investigated possible ethics violations. Yet Potts pointedly stated that the ethics office is not an investigative agency and that, in the end, Treasury polices itself and it is up to Bentsen to ''make any necessary determinations'' about how to respond to the ethics review. Distributed by the Los Angeles Times-Washington Post News Service=

Hillary Clinton Gets Boston Health Care Support (Boston) By Dena Bunis= (c) 1994, Newsday=

BOSTON Laura and Morton Goldsmith don't have to worry about health insurance. The retired New York city couple's needs are covered by Medicare and a supplemental policy.

So why did they get on a bus here Sunday for a four-day ride to the nation's capital to show their support for a comprehensive national health plan?

''We feel it's our social responsibility,'' said Morton Goldsmith, 78, a retired textile worker. ''It won't affect us much, but I care because of my child and grandchildren.''

The Goldsmiths canvassed their building at Peter Cooper Village and got letters from their neighbors, many of whom are also retired, to take to Washington with the Health Security Express the bus caravan crossing America to build support for a health plan that guarantees insurance for everyone.

It's the faces and stories of people like the Goldsmiths, rather than crass politics, that first lady Hillary Rodham Clinton hopes will carry the day for health-care reform, she told a supportive crowd Sunday at historic Faneuil Hall.

''What I hope as we move forward in the next few weeks is that ... the experiences of the people who ride the buses to Washington will be in the forefront of this debate,'' she told 900 listeners inside the Hall and 1,500 more outside, watching on TV monitors.

(Optional Add End)

Reform rider Cheryl Gresch's daughter Sonia has cancer. Gresch, of Ipswich, Mass., told the crowd that when her daughter turned 20 on Friday, she lost her health insurance because she's too old to be covered on the family's policy and cannot get her own because she is sick.

Sunday's crowd was considerably smaller and friendlier than the one the first lady encountered when she kicked off the bus tour in Portland, Ore., last week or the one that greeted President Clinton, the first lady, Vice President Al Gore, and his wife, Tipper, in Independence, Mo., Saturday. Still, mixed in among the spectators were hecklers with signs decrying the abortion coverage included in the health plans Congress will be considering in the coming weeks and those who say Clinton's plan is socialistic.

But the union-dominated audience gave the first lady a prolonged ovation and got into the rally spirit with an appearance from Peter Yarrow of the group Peter, Paul and Mary. Yarrow said in an interview yesterday that he penned new health-care verses Saturday night to the tune of ''This Land Is Your Land.''

''Let the legislators hear loud and clear. Health care is a right for you and me,'' went the refrain.

April 1 - 29
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(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, from making ``a critical decision with

regard to the resolution'' of the House Post Office investigation, the probe that involves Rostenkowski.

``The issue will be whether or not the ultimate decision in this case is somehow unnecessarily impacted by political considerations,'' Stephens said.

Unknown to the White House, such comments had prompted the District of Columbia Bar Association's Board on Professional Responsibility to look into disciplining Stephens. One source familiar with the matter said the inquiry has since been closed, but a representative of the board declined to confirm or deny the action, saying all ethics matters are confidential unless they result in suspension or disbarment.

The story behind the Stephens affair is one of a collision between political appointees and career bureaucrats inside Washington.

RTC officials insist that although they hired Stephens and his law firm hurriedly, they followed proper procedures.

With the statute of limitations on the Madison case set to expire at the end of February and congressional interest in it growing, top RTC officials moved to reopen their long-closed civil investigation of Madison Guaranty Savings and Loan. The S&L had been seized by regulators in 1989, at a cost to taxpayers of $47 million. RTC officials say they were satisfied with their original investigation of the firm for civil violations but were under pressure by Congress in the hothouse environment of the Whitewater scandal to reopen the case at a time when Fiske was conducting his criminal inquiry.

Top RTC officials told staffers to rush the case through the system so they would be prepared to take legal action in the case and to testify before Congress about the matter. Needing quick legal advice from an outside counsel already familiar with such investigations, the agency turned to Stephens, who was well known to the RTC's legal staff.

Meanwhile, other attorneys at his firm, Pillsbury, Madison and Sutro, were handling the RTC's high-profile case against a failed S&L in Arizona with links to the Republican governor of Arizona. Stephens, who was fired as U.S. attorney in March 1993, was hired by Pillsbury, Madison in January and almost immediately began work on a Virginia thrift case for the RTC. Overall, Pillsbury, an old-line San Francisco firm, was already doing about $2 million in annual billings with the RTC.

When news of Stephens' early February hiring reached the White House, the reaction was fierce and immediate. ``This was a `wow, can you believe that!' '' said one administration official. And so on Feb. 25th, sources say, senior presidential aide George Stephanopoulous and Harold Ickes, deputy White House chief of staff, expressed their concerns during a telephone call to deputy Treasury Secretary Roger Altman, then acting head of the RTC.

Stephanopoulos denies that he raised the issue with Altman, but acknowledges that later that day, he called his close friend, Treasury Chief of Staff Joshua Steiner, and asked whether Stephens' hiring could be reversed. Both Altman and Steiner rebuffed Stephanopoulos, Treasury officials say.

A Treasury spokesman stressed that ``neither Mr. Altman nor Mr. Steiner made any attempt to contact or influence the RTC'' about Stephens' hiring. On Thursday, Steiner testified in Washington before a grand jury hearing evidence in Fiske's Whitewater investigation. One of a dozen Clinton administration officials subpoenaed by Fiske, Steiner declined to comment to reporters as he entered the courthouse.

But Steiner kept a diary that included notes about his phone conversation, and those notes have now been turned over to Fiske, sources say.

The notes, according to unconfirmed media reports, indicate that Stephanopoulos started by saying ``this conversation never happened.''

A former U.S. attorney who declined to be identified, said that if the Whitewater grand jury determines that Stephanopoulos actually attempted to intervene in the matter, the actions could ``amount to a technical violation of 1505,'' the U.S. criminal code section that outlaws obstruction of federal agency proceedings.

But Robert Bennett, a prominent Washington defense attorney who represents Rostenkowski and now White House deputy chief of staff Ickes, dismisses the suggestion that Stephanopolous could be prosecuted. And Bennett argues that the White House's sharp reaction to the hiring of Stephens was justified. The selection of Stephens ``was outrageous,'' he noted in an interview. The question of civil liability involving Madison ``is too sensitive to give to someone so outspoken a partisan and so critical of the president.''

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2 From Arkansas Sought Review in Madison S&L Case

THE WASHINGTON POST FRIDAY, APRIL 1, 1994

By Susan Schmidt A1
Washington Post Staff Writer

Arkansas' Democratic senators complained to top Clinton administration officials last year about the government's handling of legal claims against Seth Ward, a former Madison Guaranty Savings & Loan employee and father-in-law of former associate attorney general Webster L. Hubbell.

Sen. Dale Bumpers (D), who once called Ward a "good supporter," sent a May 26, 1993, letter about Ward's treatment by the Resolution Trust Corp. to White House counsel Bernard Nussbaum and Deputy Treasury Secretary Roger C. Altman, a political appointee serving as interim chief of the RTC. Bumpers also sent copies of the letter to three Arkansans working in the White House—chief of staff Thomas F. "Mack" McLarty and William Kennedy III and the late Vincent Foster of the counsel's office.

Sen. David Pryor (D) lodged his complaint with Altman and top Treasury aide Joshua Steiner in July about the "appalling" waste of money and "abuse of power" by government attorneys in their attempt to recover Madison funds from Ward, a wealthy Arkansas businessman. Like Bumpers, Pryor asked Altman to review the RTC's settlement with Ward, which required him to return $340,000 in Madison funds to the RTC.

It does not appear the letters from Bumpers and Pryor, made available by the RTC under the Freedom of Information Act, resulted in any change in the RTC's treatment of Ward. Ward referred calls to his attorney, Alston Jennings, who declined to comment on the congressional correspondence.

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Senators Complained of Treatment Of Constituent in RTC Settlement

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McLarty said yesterday he did not remember receiving the letter but was "confident we didn't take any action on it."

A White House official said Nussbaum wrote to Bumpers in July acknowledging receipt of the letter but took no further action.

The letters from Bumpers and Pryor, which mentioned Ward as part of a broader attack on RTC litigation procedures, are the first indications members of Congress contacted political appointees on behalf of a prominent constituent who has come under federal scrutiny in the Madison affair.

Altman has been under political fire and subpoenaed by a grand jury about contacts he had with White House officials on matters related to Madison while serving as head of the independent regulatory agency. Steiner testified before a grand jury in Washington yesterday and was expected to be asked about a complaint made by Clinton adviser George Stephanopoulos about the RTC's hiring of former Republican federal prosecutor Jay B. Stephens to handle some Madison civil cases.

In Congress, Republicans have seized on contacts between White House and RTC officials as evidence of political interference in the Madison probe.

One RTC investigator who worked on the case has gone to Congress to complain she felt pressured by her superiors.

President Clinton, Hillary Rodham Clinton and the Clinton gubernatorial campaign have been cited as possible beneficiaries of alleged illegal activities at Madison, which was owned in the mid-1980s by James B. McDougal, the Clintons' partner in the Whitewater land venture.

Howard Schloss, a spokesman for Altman and Steiner, said neither had had any contact with White House officials regarding the letters and that the letters had been handled routinely. A letter from Altman to Pryor dated Aug. 20, 1993, states he had asked the RTC's acting general counsel to find out about the Ward matter.

Another correspondence, dated Nov. 9, is a letter from RTC congressional affairs director Peter Knight sent to Pryor and Bumpers. Knight's letter said Ward's assertions of mistreatment were "erroneous" and that he "participated in a series of transactions involving Madison and [its real estate subsidiary] which enabled those entities to circumvent federal laws and regulations . . . [and] led to the insolvency and failure of Madison Guaranty in 1989."

Madison transactions involving Ward are under investigation by special counsel Robert B. Fiske Jr. Ward's son-in-law, Hubbell, was a senior partner in the Rose Law Firm with Foster, Kennedy and Hillary Clinton before the four came to Washington.

Hubbell recently resigned from the Justice Department in the wake of reports he was under scrutiny by the firm for possibly overbilling clients.

The Rose firm also has complained Hubbell charged nearly $500,000 in consulting fees and legal expenses to the firm that should have been paid by a company owned by the Ward family, P.O.M. Inc., a major Rose client.

Pryor and Bumpers said the letters sent last year were their only contacts with Clinton administration officials on the Ward case.

His letter, he said, was simply representing a constituent interest and venting his belief RTC lawyers go overboard in pursuing S&L officials.

Bumpers's letter to Altman and White House officials also complained the RTC has been too aggressive in its pursuit of damages from directors and officers of failed S&Ls, and he urged a review of RTC policies on lawsuits.

Bumpers said he directed his letter to White House officials because of the larger policy issue, not the Ward case in particular. "I wasn't trying to get the White House involved in it," said Bumpers.

As an independent agency, the RTC makes decisions on lawsuits based on standards set out in the 1989 federal law that created the agency.

Altman last May told Congress the Clinton administration did not share the prevailing Democratic sentiment favoring extension of the legal deadline in S&L cases. Congress extended the deadline anyway, and voted to extend it a second time in February when it appeared the deadline was about to lapse for cases involving Madison.

During Hubbell's confirmation hearing as associate attorney general last year, Bumpers described Ward as "a good supporter." Ward, who is a pilot, "used to fly me around on my campaigns," Bumpers told the Senate Judiciary Committee.

This week Bumpers said he had not seen Ward "in 10 or 15 years. . . .As far as I know, he's a Republican."

Ward was hired by Madison's real estate subsidiary in 1985 to help find big real estate deals for the thrift. In a side deal never approved by Madison's board, McDougal agreed to pay Ward $400,000 in commissions from land sales federal bank examiners later described as "sham" transactions that showered insiders with fees and commissions and cost the S&L $1.8 million.

Ward complained to [illegible] last May when, after years of legal wrangling, he was forced to return funds to the RTC.

Ward's legal problems with the RTC also became an issue with Hubbell, who helped the Rose firm secure S&L work from the RTC and Federal Deposit Insurance Corp. Agency documents show some officials were concerned about Hubbell's work for the government while it was pursuing litigation against his father-in-law.

But officials concluded the family relationship did not constitute a conflict of interest that would disqualify Hubbell from securing the government work.

'84 Clinton Panel Named as a Suspect

RTC Asks Fiske to Probe Whether $60,500 in S&L Funds Was Diverted

By Susan Schmidt A1
Washington Post Staff Writer

Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings & Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 "criminal referrals" on Madison, which have been forwarded to special counsel Robert B. Fiske Jr., seeks further investigation into whether $60,500 in Madison funds was diverted to the gubernatorial reelection campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James B. McDougal at Gov. Bill Clinton's request to help the governor pay off a $50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of $10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

The RTC referrals have been widely reported but their contents have not been known. The disclosure of the language used in describing the campaign's activities is the first indication yet of a specific allegation of possible wrongdoing involving the gubernatorial campaign.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater Development Corp., and McDougal has said he paid Hillary Clinton's law firm

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$2,000 a month to help McDougal win state regulatory approval for a novel stock plan.

President Clinton and Hillary Clinton repeatedly have said they did nothing wrong in connection with Madison. They have described her legal work for the thrift as minimal, and former Clinton aides have said he had no involvement with handling the proceeds from the 1985 fund-raiser.

The White House said yesterday it could not comment. "The special counsel's looking into it," press secretary Dee Dee Myers said. "We don't know what's in the referral."

Betsey Wright, Clinton's former chief of staff and manager of the 1984 campaign, said yesterday that she was unaware the campaign committee was named a suspect in the probe. She declined to say whether she has received a subpoena from Fiske, but said she is furnishing campaign records at his request. She declined to comment further.

Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral mentioning the Clintons said that it appears Madison funds were diverted to the Whitewater venture and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner McDougal and his then-wife Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates such thrifts for potential civil claims that could help recoup some of the taxpayer-funded cleanup costs. The agency also looks into suspected criminal wrongdoing and refers evidence it develops to the FBI and federal prosecutors. The referrals do not necessarily result in criminal charges.

McDougal has said he staged the April 1985 fund-raiser at Clinton's request to help him pay off a $50,000 personal loan Clinton took out for campaign purposes just before the November 1984 election. He won reelection easily with 63 percent of the vote.

The loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

Some of the contributions questioned by RTC investigators were made from checks written on overdrawn accounts or from the proceeds of loans made for real estate or other purposes.

The referral, according to a knowledgeable source, said Madison covered overdrafts written on the account of Flowerwood Farms, a McDougal-owned company that sources said investigators describe as one of a dozen "shell corporations" believed to be used in a check kiting scheme to funnel money out of Madison.

The RTC investigators cited loans made to real estate ventures of Charles Peacock, a director and Madison borrower, as another possible source of money that ended up in the Clinton campaign.

The Washington Post reported in December that a handful of $3,000 cashiers' checks generated at that fund-raiser has been turned over by the RTC to prosecutors. One of those checks bears the name Ken Peacock, but Peacock, then a 24-year-old college student, said in an interview that he never contributed to Clinton and knew nothing about the origins of the check. His father, Charles Peacock, has said since that time that he made the contribution in his son's name.

Ken Peacock is among the witnesses listed on the referral, along with several other persons whose names appear on $3,000 cashiers' checks. They include former senator J.W. Fulbright (D-Ark.), who is ill and has been unable to comment on the check, and Dene Landrum, who has since died.

Under 1985 Arkansas law, the maximum donation a candidate could accept from each contributor was $1,500 per election.

Fiske has been asked by the RTC to further investigate checks written to the Clinton campaign in February and October 1985 that appear to have caused overdrafts in the Whitewater account at Madison and at Madison Marketing, another "shell" corporation owned by Susan McDougal. Those checks totaled $10,500, according to a source familiar with the referral.

Those checks and checks generated at the fund-raiser were deposited at the Bank of Cherry Valley. Fiske has subpoenaed Cherry Valley bank records.

The treasurer of the 1984 Clinton campaign, L.W. "Bill" Clark, has been unavailable for comment on the campaign. Smith could not be reached yesterday.

Clinton, like many politicians, used money he borrowed from banks to contribute to his various campaigns. The $50,000 borrowed in 1984 is listed as a personal contribution dated Oct. 29 on his campaign report.

State law requires that a campaign also report the name of the bank, the amount of the loan and the name of any guarantor for personal loans donated to a campaign. There is no such listing included in Clinton's 1984 campaign documents.

Rhonda Langster, director of elections in the Arkansas secretary of state's office, said yesterday that it is up to the individual candidate to volunteer that information. Otherwise state election officers assume the candidate used savings, not borrowed funds, to cover the donation.

State law also allows candidates to hold campaign events to raise funds to pay off bank loans as long as they file additional reports identifying the names of the donors.

Staff writer Charles R. Babcock contributed to this report.

456,000 , obs Added ı March

Strong Employment Figures Help Send Interest Rates Higher

By John M. Berry
Washington Post Staff Writer

After two months in which bad weather held down hiring, U.S. busi- and governments added nearly a half-million workers to payrolls last month—about double what ıy analysts had expected—as the nation's unemployment rate held steady at 6.5 percent.

Yesterday's unexpectedly strong Labor Department report caused interest rates to continue their recent sharp upward march. Rates on 30-year U.S. Treasury bonds reached 7.26 percent, more than a full percentage point above their level at the beginning of February when bond prices started their tumble.

Bond investors and traders took the report as a sign the economy is growing so fast that it will cause inflation to worsen and prompt the Federal Reserve to raise short-term interest rates significantly. To protect themselves against those possibilities, investors demanded higher rates before they would commit their money.

Some analysts said they expected yesterday's rise in interest rates to trigger another large sell-off when the stock market, which was closed yesterday in observance of Good Friday, opens Monday.

Yesterday's bond market decline again illustrates how news of a strengthening economy can rattle financial markets already in a bearish mood. That is largely because investors and traders fear that strong economic growth will lead to higher inflation and interest rates—two things that invariably unsettle markets. [See story, Page D12.]

Clinton administration economists, some labor market experts and a number of private analysts, on the other hand, said the unusually large gain in payrolls was really a matter of weather and did not signify that the economy was surging in an unsustainable way.

In fact, some analysts said other reports issued by the Commerce Department yesterday on personal income, consumer spending and construction outlays in February pointed to a growth rate of 3.5 percent or so for the first three months of the year, half the rate of the final three months of 1993.

Laura D'Andrea Tyson, chairman

See ECONOMY, A6, Col. 1

456,000 Jobs Were Added During March

ECONOMY, From A1

of the Council of Economic Advisers, told reporters at the White House that the markets are "overreacting."

As the markets roiled this week, Robert E. Rubin, President Clinton's national economic adviser and a former co-chairman of Goldman Sachs & Co., tracked the developments and briefed the president, who is on vacation in California, Thursday morning, according to a senior administration official.

Yesterday's reports "indicate not only that the economy continues to sustain good job growth but does so without inflationary pressures from the labor market."

— Laura D'Andrea Tyson, head of Council of Economic Advisers

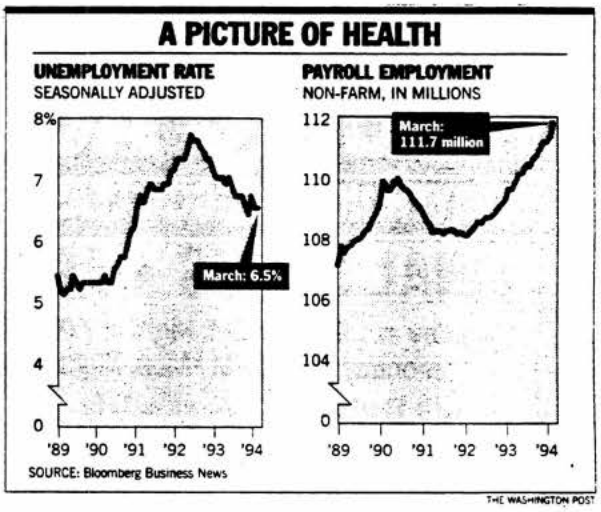
"I've been through this at Goldman—it's a strange feeling," the official quoted Rubin as saying. "Everyone is losing hundreds of millions of dollars. But you have to keep an eye on the fundamentals [of the economy] . . . the fundamentals are there."

Yesterday's reports, Tyson told reporters, "indicate not only that the economy continues to sustain good job growth but does so without inflationary pressures from the labor market."

The addition of 456,000 jobs in March came "after two months when employment was depressed because of bad weather," Tyson said. "Averaging over January, February and March, jobs increased by about 200,000 per month—the same solid rate of job creation as the last three months of 1993."

Tyson also noted that average hourly earnings rose only slightly last month and were up just 2.4 percent over the past 12 months.

Tyson said she sees nothing in any recent economic reports that would cause the administration to change its forecast that the economy will grow about 3 percent this year.



At a congressional Joint Economic Committee hearing, Katharine G. Abraham, commissioner of labor statistics, said total civilian employment, a figure that comes from the department's monthly survey of U.S. households as opposed to the business survey that provides the payroll data, was only 66,000 higher last month than in January. Major changes in the household survey questions in January make comparisons with earlier months impossible.

The department lowered its earlier estimates of payrolls for the first two months of this year by about 50,000 jobs. The figures now show a 30,000 job drop in January, when the first of a series of severe winter storms hit the eastern part of the country, and a February gain of close to 200,000. But continued bad weather delayed recovery of the jobs lost the month before, analysts said.

Payrolls bounced back last month as the weather improved. Construction payrolls, which had declined the two previous months on a seasonally adjusted basis, rose by 74,000 and manufacturing jobs were up 12,000.

The largest gains, however, were in various service industries, such as retail trade, business services, health care and amusement parks, which together went up nearly 225,000.

In its reports, the Commerce Department said personal income rose 1.3 percent in February after a drop of 0.3 percent in January that was partly the result of the Los Angeles earthquake and bad weather. Consumer spending, which had been weak in January, also bounced back with a 0.7 percent gain after adjustment for inflation.

Separately, the department said construction spending fell in February for the second month in a row, a decline analysts also blamed on bad weather.

Washington Area's Jobless Rate At 4.8 Percent in February

Unemployment in the Washington metropolitan area remained steady at 4.8 percent in February, as a decline in the District of Columbia's rate offset a rise in the suburbs, the District's Department of Employment Services said yesterday.

The District's jobless rate fell to 9.7 percent from January's 11.3 percent, while the suburban rate rose to 4.2 percent from 3.9 percent, the department said.

Meanwhile, the Virginia Employment Commission reported that the state's 5.5 percent unemployment rate was unchanged in February. The figure was the lowest for any February in four years and compared with a national rate of 7.1 percent.

None of the figures are adjusted for seasonal variations.

In the report on the metropolitan area, the District department said the unusual fluctuation in rates was primarily due to changes made in January in the U.S. Labor Department's monthly survey of households.

It may be several months before "stable and reliable" statistics become available again, the statement said.

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Clinton election committee probed

Fund-raiser linked to failed S&L

The Washington Post

WASHINGTON — Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings and Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 "criminal referrals" on Madison, which have been forwarded to special counsel Robert B. Fiske Jr., seeks further investigation into whether $60,500 in Madison funds were diverted to the gubernatorial campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fundr[illegible] held by Madison owner James McDougal at Clinton's request to help Clinton pay off a $50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of $10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater, and McDougal has said he paid Hillary Clinton's law firm $2,000 a month to help him win state regulatory approval for a novel stock plan.

The Clintons repeatedly have said they did nothing wrong in connection with Madison.

The White House said Friday it could not comment.

Betsey Wright, Clinton's former chief of staff and manager of the 1984 campaign, said Friday that she was unaware the campaign committee was named a suspect in the probe.

Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral that mentions the Clintons said that it appears Madison funds were diverted to the Whitewater Development Corp. and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner James McDougal and his former wife, Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates failed S&Ls for potential civil claims that could help recoup some of the taxpayer funded cleanup cost.

McDougal has said he staged the April fund-raiser at Clinton's request to help pay off a $50,000 loan Clinton took out for campaign purposes just before the 1984 election.

The loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

Some of the contributions questioned by RTC investigators were made from checks written on overdrawn accounts or from the proceeds of loans made for real estate or other purposes.

The referral, according to a source, said Madison covered overdrafts written on the account of Flowerwood Farms, a McDougal-owned company that sources said investigators describe as one of a dozen "shell corporations" believed to be used in a check-kiting scheme to funnel money out of Madison.

The RTC investigators cited loans made to real estate ventures of Charles Peacock, a director and Madison borrower, as another possible source of money that ended up in the Clinton campaign.

The Washington Post reported in December that a handful of $3,000 cashier's checks generated at that fund-raiser have been turned over by the RTC to prosecutors. One of those checks bears the name Ken Peacock, but Peacock, then a college student, has said he never contributed to Clinton and knew nothing about the check. His father, Charles Peacock, has said since that he made the contribution in his son's name.

Ken Peacock is among the witnesses listed on the referral, along with several other people whose names appear on $3,000 cashier's checks. They include former Sen. J. William Fulbright, D-Ark., who is ill and has been unable to comment on the check.

Under 1985 Arkansas law, the maximum donation a candidate could accept from each contributor was $1,500 per election.

In addition, Fiske has been asked by the RTC to investigate checks written to the Clinton campaign in February 1985 and October 1985 that appear to have caused overdrafts in the Whitewater account at Madison and at Madison Marketing, another shell corporation owned by Susan McDougal. Those checks totaled $10,500, according to a source.

The treasurer of the 1984 Clinton campaign, L.W. Clark, has been unavailable for comment on the campaign. Smith could not be reached Friday.

Clinton, like many politicians, used money he borrowed from banks to contribute to his various campaigns. Ironically, Clinton aides acknowledge that he didn't really need the $50,000 loan that year to be re-elected. But he wanted to take no chances with a Ronald Reagan landslide expected to sweep the nation, one aide said. ❑

Perks were flowing while Madison S&L was dying

By Jerry Seper
The Washington Times

A1

At a time Madison Guaranty Savings and Loan Association faced insolvency from what federal regulators said in 1984 were "unsound lending practices," the Little Rock-based S&L's board of directors was voting itself bonuses, pay raises, unsecured loans and health club memberships, federal records show.

The directors also approved Christmas bonus checks for themselves and other Madison employees during a December 1984 board meeting — 11 months after a critical federal audit said the S&L was on the verge of insolvency. The bonuses ranged as high as $5,000 after board [illegible] predicted "1985 will be a very profitable year for the association."

Christmas bonuses were approved — and paid — in 1985 and again in 1986, although by that time the federal government had issued a cease and desist order for the S&L to halt operations.

By mid-1986, the S&L — owned by James B. McDougal, a longtime friend and business partner of President Clinton and Hillary Rodham Clinton's — had become a target of federal and state banking regulators looking to shut it down.

Federal regulators would finally close Madison in 1989, at a cost to taxpayers of $50 million. At the time of its closure, Madison officers and executives had received $17 million in unsecured [illegible] described Mr. McDougal as a "one-time high roller."

The Iowa Republican has accused the former S&L owner of using Madison "as a personal piggy bank" and said the Whitewater-Madison affair "is about the arrogance of power — political conflicts of interest that are self-evidently unseemly."

Whatever the act, it proved successful — at least for a while. With the help of others, Mr. McDougal effectively controlled Madison's far-flung affairs and those of several wholly-owned subsidiaries, including a financial firm, real estate company, marketing and advertising outlet, and construction firm.

Suspected shell game

A review of federal and state records and interviews with former business associates found that Mr. McDougal:

- Diverted substantial amounts of money from Madison projects to himself and others, including [illegible], employees and friends. This was accomplished, according to federal regulators, through his total control of the S&L, enabling him to "structure the development and financing . . . so that substantial cash payments could be diverted to himself."
- Used corporate resources, all federally insured, to propose and build several large land developments throughout Arkansas and elsewhere, although many were described by the Federal Home Loan Bank Board (FHLBB) as being of "questionable economic worth."
- Booked Madison profits in a way to increase the S&L's net worth, allowing him to make additional investments and, according to the FHLBB, "direct cash to himself and other insiders."
- Funneled payments on development projects through business entities owned or controlled by Mr. McDougal, his then-wife, Susan, other Madison employees, relatives and "close friends."

The Fiske inquiry, now in its third month, is looking into similiar accusations regarding Madison's ties to Whitewater Development Corp. and several powerful Arkansas politicians. Mr. McDougal is suspected of illegally diverting loans through Madison and improperly routing other monies to outside interests, including funds that were used to pay the political and personal debts of Mr. Clinton.

examining alleged "shell corporations" set up by Mr. McDougal and probing suspected check-kiting and account overdrafts authorized by the S&L owner. Documents collected by investigators so far, according to federal authorities, show that Mr. Clinton and others, including Arkansas Gov. Jim Guy Tucker, may have benefited from the schemes.

Mr. McDougal was not available for comment. His attorney, Sam Heuer, did not return calls to his office.

Federal interest in Madison arose as early as 1984, when the FHLBB first reported on the S&L's financial shortfalls. By 1986, regulators had determined that the S&L's management and its board of directors, both headed by Mr. McDougal, had "failed to operate Madison Guaranty in a safe and sound manner."

In an 85-page report, the FHLBB concluded on March 4, 1986, that Madison's insolvency was inevitable and issued a federal cease and desist order, looking to close the operation down.

Madison eventually failed, but not until 1989, when federal regulators formally shut it down at a cost to taxpayers of $50 million.

Holding on to Madison

While banking regulators, both at the state and [illegible] level, [illegible] Madison's deteriorating financial condition, Mr. McDougal was not similarly disposed. Records show he acted immediately to head off regulators, reaching out to old and new friends for help.

"When things began to close in, he wasn't a bit shy about trying to do something about it," said a longtime McDougal friend, a Little Rock banker. "He has said, and I think he continues to believe, that given enough time, he could have pulled Madison out of the fire."

That the S&L eventually failed was not due to a lack of effort by Mr. McDougal.

One of his first undertakings was to hire the FHLBB examiner who had authored the 1984 report. Sarah J. Worsham, who found that Madison had engaged in "unsound lending practices" and stood on the verge of insolvency, was hired as a senior vice president at $65,000 a year.

Ms. Worsham was listed in Madison corporate documents during the follow-up 1986 FHLBB inquiry as Sarah J. Hawkins, but is identified in Madison loan documents as Sarah Worsham Hawkins, one of several officers at the S&L who obtained unsecured loans — in her case, $5,000.

She was a Madison senior vice president, on the S&L's board of directors and a member of Madison's management committee, which oversaw loans. Her compensation, according to federal regulators, included a $500-a-month expense allowance, yearly bonuses of $2,000 and a $35,000 Bentley.

With state and federal regulators closing in on Madison in 1984, the S&L then proposed a unique refinancing plan, based on the sale of $3 million in preferred stock. The plan, aimed at satisfying the capital requirements of the FHLBB, had not been suggested before in Arkansas for an S&L and, as a result, needed to be approved by the Arkansas Securities Commission.

That approval came in a May 1985 ruling by Securities Commissioner Beverly Bassett Schaffer, appointed to her post just four months earlier by then-Gov. Bill Clinton.

Mr. McDougal, 53, who announced his candidacy last month for Congress in Arkansas' 4th District, has said Mr. Clinton appointed Mrs. Schaffer, then 31, to head the commission as a "personal favor" to him — a claim she and Mr. Clinton have denied.

Mrs. Schaffer is the sister of Woody Bassett, a Clinton campaign contributor and one of the governor's 1984 re-election campaign managers. She also is the wife of Archie Schaffer, an executive of Tyson Foods Inc. of Springdale, Ark., the nation's largest pro- [illegible] political career.

She formerly worked for a Little Rock law firm that also represented Madison. At one point, she wrote a legal opinion defending the S&L's participation in a questionable $3.73 million Canadian real estate project. That project, known as Campobello, also eventually failed.

In reaching a decision that Madison's preferred stock plan was legal, Mrs. Schaffer turned down a suggestion by her staff that she get an opinion from the state Attorney General's Office as to whether Arkansas law authorized the proposal.

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Mrs. Schaffer said the Madison plan — allowing the S&L to sell preferred stock and to form a brokerage service subsidiary — was "acceptable and in accordance with state law." She also said she personally agreed with the proposal.

With the former FHLBB examiner now on his staff and the matter before a securities commissioner he has said was handpicked by Mr. Clinton, Mr. McDougal's efforts to stay in business began to take shape.

The controversial plan was outlined to the State Securities Commission by two Rose Law Firm lawyers, Mrs. Clinton and Richard N. Massey, then a first-year associate at the firm. The inclusion of Mrs. Clinton's name in the matter was not missed by state officials; the favorable ruling later was announced in a "Dear Hillary" letter from Mrs. Schaffer.

The Rose firm, in its effort to convince regulators to keep Madison open, cited an audit by a Little Rock accounting firm — Frost & Co. — saying the preferred stock plan would result in an infusion of money to keep the S&L afloat. Frost said Madison had $109 million in assets, including $86 million in loans receivable.

The audit was written by Frost official James Alford, who had two outstanding Madison loans at the time. It was later found by federal regulators to contain numerous misrepresentations.

Also, at the time of the ruling, Mrs. Clinton was being paid a $2,000-a-month retainer by Mr. McDougal. The Clintons and the McDougals also were partners in Whitewater, a 230-acre real estate project in the Arkansas Ozarks begun in 1978.

The monthly retainer was personally sought by Mr. Clinton during a summer 1984 meeting, Mr. McDougal has said. The fees continued for at least 15 months — totaling $30,000 — while the Madison case was pending before state regulators, all of whom had been appointed by and were answerable to Gov. Clinton.

Mr. McDougal, who now says he has no assets, lives with friends and exists on a Social Security disability pension, said the fee arrangement was made after Mr. Clinton told him during a meeting at Mr. McDougal's Little Rock office that he and his wife needed cash.

In separate statements released during the 1992 presidential race, campaign officials said Mrs. Clinton had not given the S&L legal advice concerning its dealings with state officials, that she did not "intervene or attempt to influence" the state concerning Madison, that she had not been paid for legal advice and that she was not [illegible] of record in the case.

At a March 18, 1992, campaign stop in Chicago, Mrs. Clinton added that she had done legal work for Madison, but it did not involve the S&L's dealings with state regulators. "I suppose I could have stayed home and baked cookies and had teas," she said at a breakfast rally, adding that "you can't be a lawyer if you don't represent banks."

JAMES B. MCDOUGAL

Former owner of Madison Guaranty Savings and Loan Association

Age: 53

Home: Now living in trailer in a Arkadelphia, Ark.

Family: Divorced. Ex-wife, Susan Henley McDougal, now in Tennessee and facing unrelated fraud charges in Los Angeles.

Career highlights: Financial adviser to Gov. Bill Clinton in Arkansas; owner of the Bank of Kingston in Kingston, Ark.; owner of Madison Guaranty Savings and Loan Association and a partner in Whitewater Development Corp.

Politics: Announced his candidacy for Congress in Arkansas' 4th District.

The Washington Times

Contradicts White House

The White House, which has since acknowledged the $2,000-a-month payments, has said Mrs. Clinton's involvement with Madison and state regulators was minimal.

Mrs. Clinton, in a statement released during the 1992 campaign, confirmed that she talked personally with Mr. McDougal in April 1985 "concerning the retention of the firm by Madison Guaranty." The statement said, however, she met only that one time with the S&L owner about the case.

But in a July 11, 1985, memo, Mr. McDougal wrote to John Latham, Madison's chief executive officer, that he needed to know "everything you have pending before the Securities Commission as I intend to get with Hillary Clinton within the next few days."

The White House did not respond to inquiries concerning the apparent discrepancy.

Despite concerns by regulators as early as 1984 over Madison's solvency, records show the Securities Department took no action to close the failing S&L until federal bank examiners determined in a 1987 audit that it was insolvent. When federal authorities formally closed Madison in 1989, the cost to taxpayers was listed at $50 million.

In the handling of the Madison matter by the Rose firm, Mrs. Clinton's name was mentioned in at least two letters sent to the Securities Department. Both said the state's return correspondence should be directed to Mrs. Clinton.

One Rose firm letter, dated April 30, 1985, and addressed to Charles F. Handley, a Securities Department financial supervisor, was signed by the firm. The letter said, however, "further [illegible] tion o[illegible] tained from "Hillary Rodham Clinton or Richard Massey of this firm."

In a follow-up letter, Mr. Massey suggested in a second letter that state officials call "Hillary Rodham Clinton or me" with any questions on the preferred stock proposal.

The stock plan was never put into operation, a victim of Madison's rapidly deteriorating financial condition.

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Before her appointment, Mrs. Schaffer was a lawyer with Mitchell Williams Selig Jackson & Tucker, a Little Rock law firm whose partners include Mr. Tucker, now Arkansas' governor. Mr. Tucker had hundreds of thousands of dollars in loans from Madison and his firm represented the S&L.

In her job as commissioner,

With the help of others, Mr. McDougal effectively controlled Madison's far-flung affairs and those of several wholly-owned subsidiaries.

Mrs. Schaffer oversaw the state's S&Ls and reported to a six-person state board. On that board was Latham, a college classmate of Mr. Massey's. Latham attended a series of meetings with regulators on Madison's behalf to negotiate details of the stock proposal.

Latham, appointed to the board by Mr. Clinton in March 1985, eventually became chairman. In a guilty plea in 1989 to falsifying Madison records, Latham later turned government witness in a federal bank fraud case against Mr. McDougal, who was acquitted in 1990.

Attracting the RTC

a Jan. 7, 1985, memo to Mr. Clinton, Mr. McDougal recommended Latham's appointment to the board, saying he was a "major contributor to your campaign" in addition to being a certified public accountant and lawyer. "Bill, we are down to only about 15 state-chartered savings and loan institutions and I am about the only one around who has any interest in this board," Mr. McDougal wrote.

Mrs. Schaffer has denied that anyone from the Rose firm influenced her handling of the Madison case. She quit as commissioner in 1991 to return to Fayetteville, Ark., to practice law.

Last month, she told the Los Angeles Times: "I don't know why she [Mrs. Clinton] hasn't been more open about explaining" her role in the Madison affair. "I don't understand why they [the Clintons] were in business with someone like McDougal."

Mr. McDougal, who served as a financial adviser to Mr. Clinton in 1979-80, bought Madison in late [illegible] partnership.

Federal law enforcement sources and others believe it was Madison's public effort to stay afloat in 1985 and its visible ties to the Clintons that attracted the attention of the Resolution Trust Corp., which oversees failed S&Ls.

An RTC investigation was aimed at determining if Madison received favorable treatment from state regulators, allowing it to remain open and increase its eventual losses. The agency eventually made 10 criminal referrals

Ken Griffey Jr.
HITS
NO.

Most Amer can palates are unused to authentic Mainland cuisine/**C1**

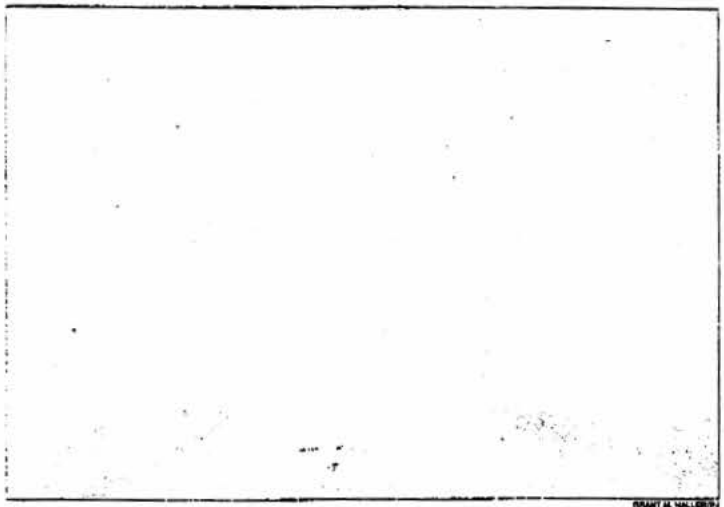
Panel tells FDA that nicotine is addictive/A3

Seattle Post-Intelligencer

A HEARST NEWSPAPER

WEDNESDAY MORNING AUGUST 3, 1994 35¢

The flames of Icicle Road



GRANT M. HALLSMITH

A time exposure reveals the menace of the Hatchery Creek fire on mountains west of Icicle Road at Shore Street in Leavenworth. The strategy is to limit the blaze at a clearing established just above the homes there. Strike teams are standing by to attack any spot fires.

Fire control a matter of inches

By Rob Taylor and Scott Maier
P-I Reporters

LEAVENWORTH – Like 200-pound boxers, firefighters battling big blazes in Eastern Washington are resorting toe-to-toe slugfests with their foe. Instead of trying to ring the flames in fire lines, attacking only when forced to or when the flames subside.

"We aren't putting any perimeters in front of the fire today; that would be a recipe for disaster," Dave Killebrew, a Forest Service information officer at the Tyee Creek fire, said yesterday.

Instead, firefighters continue to hack, blast and scratch out fire lines, using everything from hand tools to dynamite, and facing the flames head-on only when homes are threatened.

"You gain control of fire by inches," said Tom Perth, an incident commander for the Leavenworth fires.

As of yesterday, crews had built about half of the 30 miles of fire line they figured would be needed to hold the Hat Creek fire, its mugged mountains south and east of Leavenworth.

And we've done the most scramble half. We're really just getting started." Pooh said.

The blaze had consumed more than 10,000 acres on both sides of Highway 97, the picturesque road over Blewett Pass.

Fire lines covered about three-quarters of the eight-mile ring being built around the Hatchery Creek fire, which has grown to more than 4,550 acres north of Leavenworth.

"We've made progress. We've evened the score with the fire," said Forest Service

See FIRE, Page A8

Red-leg alert

Fire crews in Central Washington work hard, but lightning and wind threaten to undo their progress. Page A4

More woes lie below the Dome

Exposed rebar could violate building code

By Angelo Bruscas and George Foster
P-I Reporters

Exposed steel rods in the Kingdome ceiling could pose a new safety hazard at the county-owned stadium and further delay the building's reopening, engineers said yesterday.

Although King County officials said the exposed rebar was part of the building's design, a city of Seattle engineer said such a condition violates building codes and industry standards, and could signal significant structural damage.

The issue came to light yesterday when a principal engineer for the city's Department of Construction and Land Use said the exposed rebar is unusual because industry standards call for it to be encased in a minimum of a half inch of concrete.

"I think that's a fairly significant issue," said department engineer Tom Klaeman.

Before issuing permits for emergency repairs to the ceiling, the city department wants assurances that the exposed rebar – ribbed steel rods used to reinforce concrete – doesn't mean the roof is unsafe.

The exposed rebar was uncovered when the 40,000 ceiling tiles were removed from the Kingdome over the past two weeks.

Paul Weber, an independent engineer who once designed an alternative foundation for the Kingdome, was astounded when told about the exposed rebar.

"That's an interesting new twist on design. A half-inch would be the bare minimum," said Weber, a geotechnical engineer whose design for a foundation was

See REBAR, Page A10

■ Dome diary: Who knew what about the baby ceiling and why did they do so? Page B1

Among the sick, orphaned and lost

Where an 'O' on his forehead means his parents have died

By Christopher Hansen
P-I Correspondent

KIBUMBA REFUGEE CAMP, Rwanda – A 3-year-old baby sleeps in the grass, shielded from the sun by a small towel. The child was found several days ago, lying beside his dead mother. She probably died of cholera or dysentery. The child was brought to the Red Cross compound at this sprawling encampment where hundreds of thousands of Rwandans face disease, hunger and thirst.

Beside the baby are six others, known to relief agency workers as "unaccompanied children." Most are tragically. A girl of perhaps 6 has an oozing scabby sore with a runny nose.

They are among an estimated 30,000 unaccompanied children among the roughly million Rwandans who have poured into the area around Goma, Zaire.

Throughout the region, including Rwanda, Uganda, Tanzania and Zaire, there are an estimated 100,000 unaccompanied Rwandan children, says Christian Clerk of UNICEF, the United Nations International Children's Emergency Fund.

Help for these children is one of the most difficult challenges facing the relief personnel working here.

The effort has come too late for many children, a point brought home yesterday by a small parcel wrapped in plaid cloth, tied in twine and left on the roadside near this camp. From the cloth, two tiny brown feet protruded. The infant could not have been more than 2 months old.

See EAIRE, Page A8

Senators rip into Altman testimony

By Mike Feinsilber
The Associated Press

WASHINGTON – His credibility on the line, Deputy Treasury Secretary Roger Altman apologized yesterday for misleading testimony last winter about the Whitewater affair. But he stuck to his basic story – and drew a barrage of challenges from skeptical senators.

"I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete," he said at the Senate Banking Committee's Whitewater hearing. "I regret that perception and apologize for it."

In that testimony, Altman said he knew of only one "substantive" contact between his department and the White House on a savings and loan investigation that was potentially embarrassing to Bill and Hillary Rodham Clinton.

Subsequent reviews have uncovered at least 40 contacts, including four directly involving Altman.

Four times, Altman modified his first version of events, and still he remains at odds with the testimony of colleagues.

Armed with depositions, handwritten memos – even a videotape of his previous testimony – Republicans and Democrats alike zeroed in on the contradictions.

"I'm beginning to see a pattern that is troublesome," Sen. Richard Bryan, D-Nev., said, noting how other administration officials agreed on events that only Altman disputed.

Calmly and deliberately, Altman refused to give ground. He dismissed the discrepancies as

See SENATOR, Page A10

UPDATING OWN OWN

SECOND OF THREE PARTS

...mplex in Boston looks like the future

The entrance to Copley Place in Boston carries the impression of a sprawling mall in the center of a large densely populated city of a historic residential and office neighborhood.

The Associated Press

...Boston – If you want a taste of the ...ture of shopping in downtown America, ...come to Boston.

At 5 o'clock on a rough weekday ...afternoon, commuters are streaming down ...escalators to the train station in Back Bay, ...cellular and cell phones in hand. The ...ed, and running shoes stick out from ...and dresses.

The scene resembles that of a normal ...hour under way in any major city around ...world.

Except that the street there commuters ...walked down isn't a street at all. It's an ...indoor pedestrian thoroughfare, a 565-foot ...nave that leads right through a luxury ...ave area.

Commuters march past a fountain and ...doors offering luxury goods – Gucci shoes, ...Tiffany jewelry, Ouest leathers, Laura ...Ashley. Many are carrying plastic shopping ...bags by the time they reach the escalators ...down to the station.

The "event" is the main entry of Copley Place, one of America's most successful shopping complexes – and one of Boston's most controversial developments. When the developers who 10 years ago built Copley Place for $600 million want to build the next generation of shopping center in Seattle.

If all goes according to plan, Tom Klobedanz, Jeff Rhodes and Ian Marshall will spend more than $300 million to redevelop the vacant Frederick & Nelson store and two additional blocks of downtown Seattle into a new Nordstrom flagship store, a convention ...and entertainment complex and hotels.

Mayor Norm Rice and other city officials are backing the project – and hoping parts of it will give a big lift to struggling downtown.

Massachusetts officials and real estate experts say Seattle would be lucky to get the equivalent of a Copley.

They were in Seattle workers," said Bob Cummings, former president and CEO of the Greater Boston Convention and Visitors Bureau.

But the professionals who saw – and the developers who – that Seattle should work to avoid the many mistakes that the 10-year-old Copley Place project made when the shopping mall was plunked into the heart of a historic residential and office neighborhood.

Copley Place is better than what was there, but it "is not a lot better," said Thomas Chandler, deputy director of the Massachusetts Industrial Finance Agency, the state's economic development arm.

The center on Copley Place are dazzling. At 3.5 million square feet, it is the largest private development project in Boston's history, boasting almost 2,000 rooms in two hotels, four floors strewn on top of the five-story shopping complex, 1,433 parking spaces and 10 movie ...

The development, now owned by JMB Properties L.P. Co., covers 8.5 acres on three city blocks.

See DEVELOPMENT, Page A8

INSIDE:
What Seattle might learn from studying Copley Place
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Mostly cloudy, cooler. Partly sunny in the afternoon. Highs, mid 70s. Lows, mid 50s. Details on Page B4.

Mitchell plan would cover 95% by 2000

By Adam Clymer
The New York Times

WASHINGTON – Senate Majority Leader George Mitchell yesterday proposed national health insurance legislation that he said would achieve coverage of 95 percent of all Americans by the year 2000 through voluntary measures and subsidies.

A commission would then tell Congress what it should do to insure the rest.

The Maine Democrat, in the rare role of managing legislation said at a news conference that he does not yet have the votes to pass his bill. But he added "I believe in the members of the Senate. I believe in their desire to do what's right for this country. And I hope that ultimately a majority can be persuaded, bipartisan, to support this." He said debate begins Tuesday.

HEALTH REFORM

See MITCHELL, Page A8

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Altman denies any intention to mislead

By AMY BAYER
Copley News Service

WASHINGTON — Roger Altman, the embattled Treasury Department official at the eye of the Whitewater storm, with a combative defense of his actions yesterday faced down senators he misled months ago.

In a heated hearing before the Senate Banking Committee, the deputy treasury secretary acknowledged and apologized for giving incomplete information to the committee at a February hearing. He denied intentionally deceiving the committee and blamed a department attorney for his problems.

"There was never any intent to mislead this committee," said Altman, a college friend of President Clinton.

But Republican senators, armed with Altman's own words and reams of contradictory testimony, poked several holes in his story.

See Altman on Page A-15

The San Diego Union-Tribune
8-3-94

Altman

Denies any involvement in Madison investigation

Continued from A-1

With apparent zeal, the Republicans found at least three cases in which other witnesses, including two of Altman's Treasury Department colleagues, directly contradicted Altman's testimony.

"In every case, in order to believe you, we must disbelieve others who have sworn under oath," said Republican Sen. Robert Bennett of Utah.

Yesterday's hearing stretched late into the night, and was the most intense and adversarial so far during the congressional probe into the Whitewater affair.

At issue is whether Altman or other federal officials improperly informed the White House of a confidential criminal investigation of the collapsed Madison Guaranty Savings and Loan, whose owner, James B. McDougal, was a partner of Bill and Hillary Clinton in the ill-fated Whitewater real estate venture. That probe, initiated by the Resolution Trust Corp. (RTC), named the Clintons as possible witnesses.

Both the Senate and House banking committees are examining those contacts.

For a short time, Altman also was head of the RTC — an appointment that raised questions of possible conflicts of interest in the Madison case because of his close ties to the first family.

During hours of questioning last night, Altman denied any involvement in the Madison probe, acknowledging only that he briefed the White House on procedural matters.

But several other witnesses, including Altman's then-special assistant, Josh Steiner, have suggested that Altman was far more involved than he acknowledges, and was central to a political tug of war between the White House and federal regulators.

The most damning evidence came from the personal diary of Steiner, now Treasury Department chief of staff and a political prodigy who, at age 28, holds one of the most powerful staff positions in the Cabinet.

Steiner wrote that Altman was under intense pressure from the White House to stay on the Madison case, rather than recuse himself as Treasury attorneys had advised.

He also wrote that Altman, in his past appearance before the Senate committee, "gracefully ducked" questions pertinent to Madison.

In Altman's defense, Steiner, who testified earlier yesterday, disavowed parts of his own diary, saying he was writing in an "impressionistic" style.

"I was not attempting to be precise," Steiner said while dodging a question about whether his diary entries were true or false.

That testimony brought a barrage of angry and skeptical questions from senators.

"It is distressful to see a young, bright, intelligent man who wrote this diary and then comes around and concocts some feeble, lamebrained excuses to try to explain it away like it didn't count and it didn't matter," said Sen. Alfonse D'Amato, R-N.Y.

In an emphatic and at times testy defense, Altman leaned heavily on a recent report of the Office of Government Ethics, which concluded that he did nothing improper.

He ultimately conceded having many more contacts with the White House than the single one he initially disclosed, but said he regarded them as "incidental."

Altman accused the Treasury Department's top attorney, Jean Hanson, of failing to correct his testimony when she accompanied him to the February hearing that brought all his trouble.

Hanson, who testified before the committee Monday, insisted that Altman assigned her to brief White House officials about the Madison probe. But Altman insisted he knew nothing about that briefing.

"She confirmed my answer," Altman said of his faulty testimony. "At no time did she suggest that my recollection was faulty."

The evening's hottest topic was the subject of Altman's recusal from the Madison case, which came after weeks of delay, and only after a *New York Times* editor notified him that he was writing a critical editorial. Critics say Altman delayed the recusal to please the White House, which wanted a friend at the RTC.

In his testimony yesterday, Altman insisted that the recusal was unrelated to the Madison case, and used this as justification for why he did not disclose his meeting with White House aides in which they urged him not to recuse himself.

But Altman had few defenders on the committee. Many Democrats, convinced that they had been deceived by Altman, were as sharp as Republicans in their inquisition.

Democratic Sen. John Kerry of Massachusetts said he found "hard to believe" Altman's testimony that he did not know about Hanson's White House meeting.

"I don't think you have been forthright with this committee," added Democrat Richard Bryan of Nevada. "I don't think this was one of your finest hours."

At one point under questioning from Illinois Democrat Carol Moseley-Braun, Altman said he had acted with the "highest ethical standards."

"Well, that's one conclusion," the senator replied. "And that's what this hearing is all about."

Some Republicans have called for Altman's resignation, but so far he has received at least grudging support from Clinton and Treasury Secretary Lloyd Bentsen.

Clinton likely will be asked about Altman during a press conference to be televised today at 5 p.m. PST. White House Press Secretary Dee Dee Myers told reporters that the president hopes Altman will "stay on."

Treasury official apologizes, says he didn't intend to mislead

By DAVID HESS
Herald Washington Bureau

WASHINGTON Deputy Treasury Secretary Roger Altman battled Tuesday to preserve his job and his reputation, insisting he was not aware of early alerts to the White House about a Whitewater investigation and had not lied to Congress about it.

In testimony before the Senate Banking Committee, Altman contradicted Whitewater testimony offered the day before by his department counsel.

That contradiction and other flaws in his earlier testimony to Congress were used by Republicans on the committee to harshly criticize the senior Clinton aide in a grilling that lasted into the night.

Some Republicans have called for Altman's resignation and they were clearly attempting to make a case for it late Tuesday.

Sen. Phil Gramm, R-Texas, said that on at least three occasions Altman's testimony Tuesday conflicted with that in three sworn statements to the committee by other administration officials.

The senator charged that Altman's testimony was "totally unbelievable."

Altman replied, "I did not lie to Congress" and blamed the conflicting testimony on differing recollections.

Altman also apologized for gaps in his earlier Whitewater testimony.

"I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete," he said "I regret that perception and apologize for it."

But Altman also insisted that no Treasury Department or Resolution Trust Corp. official had "imparted any information" about a Whitewater probe to the White House or to President Clinton and his wife, Hillary Rodham Clinton.

The Clintons had been mentioned in criminal referrals, sent by the RTC to the Justice Department last Oct. 8, regarding the RTC's investigation of the bankruptcy of Madison Guaranty Savings and Loan, an Arkansas firm whos failure cost taxpayers some $60 million.

Republicans have charged that the "heads up" to the White House about the criminal referrals could have given the president a chance to destroy evidence in the case.

But Altman adamantly insisted Tuesday that no effort was made by Treasury or White House staff "to impede or alter in any way the criminal or civil processes of the RTC as they relate to Madison Guaranty. ... There is no evidence that either the criminal or civil aspects were compromised, delayed or altered in any way. Simply none!"

Altman complained: "I've already been tried and convicted before the trial has taken place."

On Monday, Treasury counsel Jean Hanson told the committee that Altman had "tasked" her on Sept. 29 to notify White House counsel Bernard Nussbaum about press leaks regarding the referrals.

Altman said that was not the case.

"Recollections can differ, of course. ... There's nothing unusual about that," Altman said. "I just disagree with Ms. Hanson's recollection."

Altman also disputed Hanson's testimony about some controversial remarks he made to the committee on Feb. 24.

At that time, Altman said he knew of only one substantive contact between S&L regulators and the White House in the Madison case.

Subsequent evidence indicates, however, that Altman might have known about other significant contacts. And committee Republicans have charged that he lied to the panel about it.

Altman protested that he had not been aware of earlier contacts because Hanson had not told him about them.

Earlier Tuesday, the committee's inquiry centered on several entries in a diary kept by Treasury Department chief of staff Joshua Steiner and on the White House's insistence that Altman not remove himself as a decision-maker in the Resolution Trust Corp. probe of the Madison bankruptcy.

Steiner's diary, which he said reflected his "impressions" and was not a "precise, exact narrative," cited several, sometimes breathless, references to White House efforts to keep Altman from recusing himself in the RTC's Madison investigation.

At the time, Altman served both as deputy secretary at Treasury and as acting chief executive of RTC jobs that, on occasion, appeared to be in conflict.

In one entry, Steiner wrote that Altman, who was " inclined to recuse himself, changed his mind "under intense pressure from the White House."

In another entry, Steiner said White House aides, including Nussbaum, had told Altman a recusal was "unacceptable."

Then, when Altman finally did recuse himself, Steiner wrote that two White House aides said Clinton "was furious" about Altman's decision.

The Dallas Morning News
Wednesday, August 3, 1994

WHITEWATER

Where are the Howard Bakers?

When Republican Sen. Howard Baker spoke his now famous Watergate phrase — What did the president know and when did he know it? — he struck an important note for non-partisan inquiry into a troubling matter of state. So far, the current Senate's Whitewater investigation, marked by Tuesday's sharp questioning of Treasury Department chief of staff Joshua Steiner by several Democratic senators, has not pulled many punches either.

But the same independence has been lacking among House Banking Committee Democrats, who will be on show again today as their committee reconvenes what mostly has been a clubby affair.

But first, let's be clear: Whitewater is not Watergate. The latter affair involved the illegal actions of and subsequent cover-up by an incumbent presidency. Whitewater involves the questionable financial arrangements Bill and Hillary Clinton engaged in while he served as governor and the potential missteps his later presidential administration took regarding a federal investigation of those financial relationships.

Yet legitimate issues are involved, particularly the Clintons' relationship to the now-defunct Madison Guaranty Savings and Loan. So why are so many Democrats seeking to soft-pedal how the administration handled the knowledge that a criminal referral of Madison could develop? Aren't they interested in discovering the truth?

Apparently not, judging by Texas Democrat Henry B. Gonzalez's opening remarks before the House Banking Committee he chairs. Mr. Gonzalez claimed that Republicans pressing for a congressional investigation of contacts between the Treasury Department and the White House over the criminal referral were presenting "innumerable, inflammatory and absolutely false claims." Without presenting evidence, he then said that Whitewater-related claims "have proved to be outright lies, distortions or exaggerations."

Nice way to start an independent inquiry, isn't it? Not surprisingly, nearly all House Democrats fell in line, asking basically partisan questions to committee witnesses.

Perhaps Rep. Gonzalez and his tag-along Democrats should recall how Republican Sen. Warren Rudman pursued a non-partisan line of inquiry as the Iran/contra probe's senior Republican. To the Reagan White House's consternation, Mr. Rudman's concern was the truth, not partisan justification. That legacy should not be forgotten in the Whitewater investigation.

CRIME BILL

House solons should have a better option

Many members of the U.S. House of Representatives are sitting on the horns of a terrible dilemma as they prepare to vote today on the $30.2 billion crime bill approved by House and Senate negotiators.

On one hand, they want desperately to vote for a crime bill. Polls show that Americans demand action against crime, which is perceived to be rampant. This bill addresses that demand in many respects. It would:

- Add 100,000 police officers.
- Build prisons.
- Reimburse states the cost of incarcerating criminal aliens.
- Force criminals to serve the entire length of their prison sentences.
- Require life sentences without possibility of parole for criminals with three felony convictions.

But the bill is fat with pork when times are lean. Billions of dollars would fund social welfare programs purportedly designed to attack crime's root causes. In fact, a number of the programs are payoffs to various constituencies that would not otherwise be inclined to support a bill that is appropriately tough on criminals. Some of the programs were part of President Clinton's economic stimulus package, which fiscal conservatives beat back last year; they were of dubious value then, and they are of dubious value now.

The problem for anxious House members is they cannot vote for the elements of the crime bill they like and oppose the rest. Either they vote it all up or all down.

Tempting though it may be to hold one's nose and vote yea, House members should not ignore this bill's stench. They should vote no. Once defeated, the bill should be returned to House and Senate negotiators with instructions that they remove its porcine defects. A better version could be sent to both full chambers this year.

Americans want a crime bill, but not one that:

- Is funded through anticipated reductions in the federal work force but with no requirement that reductions actually occur. (Where will the $30.2 billion come from if not enough workers retire or quit? Shouldn't some of the savings be used to reduce the federal budget deficit?)
- Mimics existing welfare programs. (A recent congressional audit showed that seven federal departments already run 266 programs for delinquent or at-risk youths at a cost of more than $3 billion per year.)
- Gives money to cities with no enforceable condition that it be used to combat crime.

Congress can do better than this. It must.

Altman denies misleading Congress
By Thomas G. Watts and Richard Whittle
Dallas Morning News

WASHINGTON Deputy Treasury Secretary Roger Altman denied Tuesday that he had misled Congress or helped funnel inside information about a federal investigation of Madison Guaranty Savings and Loan to the White House. And he apologized for any misunderstanding.

"I do not have perfect recall, and I may have heard or understood questions in a way that was not intended by the senator asking the question," Altman said, referring to his Feb. 24 testimony that has angered many members of the Senate Banking Committee.

"If I did so, I sincerely apologize to all members of the committee," he told the banking panel as it continued its Whitewater hearings Tuesday. The apology, however, won little sympathy from the committee, whose members Republicans and Democrats alike grilled him into the night.

"This is not a happy occasion for any of us," said Sen. Donald W. Riegle Jr., D-Mich., the committee chairman. "It's been kind of a long and winding road from that hearing that day when you were before us."

Sen. Phil Gramm, R-Texas, said Altman's testimony was "totally unbelievable."

"Senator, I did not lie to Congress," Altman said.

Altman whose wife, Jurate, was sitting behind him with B.A. Bentsen, wife of Treasury Secretary Lloyd Bentsen said he had read that "I've already been convicted and sentenced, even though the trial hasn't taken place."

"Three independent investigations have addressed these questions," he said. "These investigations have confirmed that the Clinton administration did not interfere in any aspect of the Madison Guaranty case."

Altman dismissed suggestions that the administration attempted to influence the Resolution Trust Corp. investigation of the insolvent Little Rock, Ark., thrift. He pointed to his recusal from making decisions regarding Madison as evidence of that. He did acknowledge, however, that he did "waver" on the timing of his decision to remove himself.

Altman has been criticized for giving the Senate Banking Committee on Feb. 24 an inaccurate number of contacts between Treasury Department and RTC officials and the White House about the case against Madison Guaranty, which failed in 1989.

Madison's owner was a partner with President Clinton and first lady Hillary Rodham Clinton in the Whitewater Development Corp., a real estate venture.

Initially, Altman said there was one meeting involving those officials Feb. 2, 1993, that dealt with the RTC investigation. He later indicated in a letter to the committee that there were two other meetings during the fall. It later was disclosed that there were additional telephone conversations and brief meetings that dealt with the matter.

"In no way did I intend to mislead or not to provide complete and forthright answers," Altman said. "I have too much respect for this committee, for our system of government and the need for full and forthright communications between the executive and legislative branches of our government."

In an unusual move, the committee replayed videotaped portions of Altman's Feb. 24 testimony.

In one of the four excerpts, Sen. Christopher Bond, R-Mo., asked him how the White House was notified of the press leaks in which the Clintons were mentioned as potential witnesses in criminal referrals that RTC investigators were sending to the Justice Department.

Altman replied that the White House had not been notified by the RTC "to the best of my knowledge."

Sen. Paul. Sarbanes, D-Md., told Altman on Tuesday, "We now know the White House was notified of the referrals by Jean Hanson." Hanson, the Treasury Department's general counsel, testified before the committee Monday.

Altman replied, "I wasn't aware of any notification to the White House on the criminal referrals of any kind at that time."

His testimony differed sharply with that of Hanson and some other officials. For instance:

Hanson told the committee that Altman directed her to brief the White House officials particularly former White House Counsel Bernard Nussbaum.

Altman, however, said, "I do not believe that I suggested that the White House be informed on any facts relating to this referral."

Hanson testified that she had noticed some discrepancies during Altman's Feb. 24 testimony before the committee, but could not find a way to interrupt and correct him.

Altman, however, emphasized that Hanson had sat behind him during his testimony, met with him later and cleared his letter to the committee that told members of the two fall meetings. "At none of those times did she suggest that my recollection was faulty," he said.

Altman said he has "reservations" about the diary of Treasury Chief of Staff Joshua Steiner that indicated that White House officials had told Altman that his recusal from RTC's Madison inquiry was "unacceptable."

Republicans have said they suspected that the White House wanted to influence the RTC's Madison investigation by keeping Altman in place to offset the influence of Republican-appointed RTC officials who might be eager to find wrongdoing.

Altman said it did not matter whether he officially recused himself, because he already had told Treasury and RTC staff members that he would not participate in any Whitewater decisions because of his friendship with Clinton from their college days.

Sen. Alfonse M. D'Amato, D-N.Y., and Gramm contended that Altman misled the committee by failing to mention during his earlier testimony that on Feb. 2 he discussed his potential recusal with Nussbaum.

Gramm said he failed to tell them about another meeting at the White House on Feb. 3 where the recusal issue also was discussed.

"We now know that there were over 40 contacts," Gramm said. "We now know that you made four personally. How do you reconcile that" with the Feb. 24 testimony?

"I told the truth," responded Altman, contending that the real subject of the Feb. 2 meeting was the statute of limitations for Madison prosecutions. "I thought what the committee was interested in was whether we had improper contacts with the White House" about the Madison investigation, he said.

Gramm replied, "Is not recusal about the fact that you are a friend of the president of the United States?"

Earlier, senators questioned Steiner about his role in the controversy particularly about entries he made in a diary that later was turned over to Special Counsel Robert B. Fiske Jr. after all notes in connection with the Whitewater developments were subpoenaed.

Senators particularly were incensed by one Steiner comment that Altman "gracefully ducked" answers about the number of contacts between Treasury and RTC officials and the White House by not mentioning the telephone contacts.

"What's the difference between ducking and lying?" asked Sen. D.M. "Lauch" Faircloth, R-N.C.

"You kind of admired his ducking because you described it as graceful," the senator said. "That's nicer ducking than kind of stumbling through a duck."

Steiner emphasized throughout his testimony that he often overdramatized in his diary, and it was not intended to be an accurate record of his activities. "If I were going to describe the testimony today I would choose another word," he said.

"I'm sure you would," Faircloth said.

Altman Blames Memory for Omissions in Whitewater Statements (Washn)

By Charles V. Zehren= (c) 1994, Newsday=

WASHINGTON Deputy Treasury Secretary Roger Altman Tuesday faulted his memory and other Treasury Department officials for critical omissions in his prior statements before Congess concerning Whitewater.

But in testimony before the Senate Banking Committee Tuesday, Altman testified that, to the best of his knowledge, neither he nor any other member of the White House or Treasury staffs tried to impede the Resolution Trust Corp.'s investigation into the controversial business dealings of President Clinton and his wife Hillary Rodham Clinton.

Altman testified under oath that although he was acting head of the RTC, the federal thrift bailout agency, he never made any decisions concerning the Whitewater investigation other than to encourage officials from the agency to proceed with their probe as they would with any other case. And Altman said Treasury General Counsel Jean Hanson cleared a Feb. 2 meeting at which he briefed White House officials about aspects of the secret Whitewater investigation.

Nevertheless, Altman's statements Tuesday repeatedly contradicted testimony from other officials and raised even more questions both about his role in the Whitewater contacts as well as the veracity of his prior congressional testimony.

The congressional Whitewater hearings concern at least 40 contacts meetings, telephone calls and facsimile transmissions between administration officials and regulators from agenices probing Madison Guaranty Savings and Loan. The Arkansas thrift, which failed in March 1989 at a cost to the taxpayers of at least $47 million, is suspected of diverting funds to Clinton's gubernatorial campaign and controversial Whitewater real estate investment.

Ultimately, the RTC investigation moved ahead and Special Counsel Robert Fiske has issued a report concluding that the contacts were not illegal.

But Republicans Tuesday continued to charge that the White House squelched the RTC probe.

Tuesday White House spokeswoman Dee Dee Myers said the president has full confidence in Altman, but rumors have been sweeping the Capitol that Altman will be forced to resign.

Altman denied Tuesday that he intented to ''mislead or not to provide complete and forthright answers" during his controversial Feb. 24 testimony before the Senate Banking Committee, during which many key facts were omitted. ''I do not have perfect recall, and I may have heard or understood questions in a way that was not intended by the senators asking the question," Altman said.

The beleaguered Altman ticked off his regrets, including failing to step down or ''recuse" himself from the case earlier and apologized for offering answers that appeared too ''narrow or perhaps incomplete" during his prior Senate testimony.

But contradictions arose during Altman's testimony: Altman testified Tuesday that ''at no time did I ever ask to be briefed, or was I briefed, on any investigation or the status or outlook for any case. Not once." And he said he did not learn of the status of RTC criminal referrals naming the Clintons until last fall. But, in sworn statements to congressional investigators, Hanson, RTC Vice President William Roelle, and other administration officials stated that they had briefed Altman on the course of the RTC probe into Whitewater.

On Feb. 24, Altman acknowledged to the Senate Banking Committee only one Whitewater contact with the administration. Tuesday, Altman acknowledged that he had not mentioned meetings now revealed to have occurred Sept. 29 and Oct. 14 because he was not aware of them. But Hanson testified Monday that Altman ''tasked" or directed her to brief the White House on the RTC Whitewater probe last September. ''I do not believe that to be the case," Altman said. ''Recollections can differ."

(Begin optional trim)

What's more, Altman Tuesday blamed Hanson for not helping him set the record straight. He played a video tape Tuesday showing that Hanson sat directly behind him at the Feb. 24 hearing and did not attempt to correct him during his testimony.

Altman said Tuesday that during the Feb. 2 meeting with White House officials he conveyed ''no information on the facts, merits or outlook for the (RTC) case or the statute of limitations" and only discussed ''generic and procedural alternatives." But that directly contradicted sworn testimony offered by deputy White House chief of staff Harold Ickes as cited by Sen. Alfonse D'Amato, R-N.Y.

D'Amato charged that Altman ''revealed the bottom line of the investigation." But Tuesday Altman told D'Amato that ''this is categorically false. Sen. D'Amato is wrong."

(End optional trim)

In testimony earlier in the day, Treasury chief of staff Joshua L. Steiner said that during the Feb. 2 meeting, then-White House Counsel Bernard Nussbaum made ''strong arguments" against Altman recusing himself. And although Nussbaum in his testimony last week said he argued against recusal because it would set a bad legal precedent, Steiner said Tuesday Nussbaum also feared that unless Altman remained, ''partisan" GOP officials would try steer the investigation against Clinton.

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Shalala Assistant Fleming Is Named Temporary AIDS Czar

By Laurie Garrett= (c) 1994, Newsday=

With several top candidates for the job of White House AIDS czar having already turned it down, the Clinton administration Tuesday announced the temporary appointment of Patricia Fleming, a top official at the Department of Health and Human Services.

The move comes less than a week before the 10th International Conference on AIDS, which Fleming will attend for the United States. It is apparently intended to buy the administration time to reconsider how the job, officially titled national AIDS policy coordinator, should be focused and to nail down a permanent choice.

Fleming, who is a special assistant to Donna Shalala, secretary of health and human services, said she will juggle the two jobs until October, spending about three days a week at the White House and two at the department.

''I think the Clinton administration has accomplished a great deal relevant to AIDS in the last 19 months," she said. ''I'm going to keep the administration's momentum going while we're searching for a permanent AIDS director."

Young administration aide has to answer for his diary

By Michael Kranish Boston Globe

WASHINGTON Joshua Steiner, 28, fresh-faced, his hair shimmering in the klieg lights of the congressional hearing room, suddenly seemed to wither under the questioning of a grizzled Republican.

Steiner, chief of staff at the Treasury Department, was being grilled about why he wrote in his diary in February that Deputy Treasury Secretary Roger Altman had "gracefully ducked" key questions from senators about his involvement in the Whitewater affair.

"What's the difference between a 'duck' and a lie?" an angry Sen. D.M. "Lauch" Faircloth, R-N.C., asked the man known as "Young Josh."

Steiner responded that he had sometimes exaggerated in the diary, or, as he put it Tuesday: "I made no effort to be inaccurate, but I want to be clear I was not attempting to be precise."

To some, it sounded like so much spin. Others, such as Democratic Sen. Barbara Boxer of California, saw it as a sincere effort by an idealistic young man to chronicle what he thought he saw and his impressions of what he did not see at all.

To Sen. Alfonse M. D'Amato, the New York Republican who survived a Senate ethics investigation of his own, Steiner was "incredulous." D'Amato excoriated "feeble, lame-brained excuses" to "explain away" the contradictions.

But to Boxer, Steiner was reminiscent "of two people I have great respect for ... my son and my daughter." Boxer said, "I look at you, and I see the exuberance of youth, the exaggeration of youth and the loveliness of youth."

Steiner's six hours of testimony appeared to crystallize the problem for the Clinton administration in the Whitewater hearings: While it's not clear whether President Clinton or his top aides did wrong, they left the impression that they were guided, said Sen. Phil Gramm, R-Texas, by the ethic of "anything goes."

"It seems to me that once you start down this road of anything goes, that you create a lot more problems than you solve," said Gramm.

In the end, what seemed clear was that some Republicans on the committee hoped to use Steiner's diary to go after higher-ups, such as Altman and the president. They were not happy that he was trying to contradict the best evidence.

Until Tuesday, no one knew if Steiner would be the John Dean of the Clinton administration, telling damaging, intimate details that would harm the president. But there was no comparison between Steiner and Dean, who was White House counsel during Watergate. Instead, Steiner backtracked from many of the most sensational statements in his diary.

The major question revolved around Steiner's diary assertions that Altman was under "intense pressure from the White House" to continue the oversight of an investigation of a failed savings and loan association that was owned by Clinton's former business partner.

But Steiner on Tuesday contradicted his writing, saying, "It was not my impression at the time he was under pressure."

Sen. Orrin G. Hatch, R-Utah, insisted that Steiner read an embarrassing passage from the diary. It was the passage, Hatch said with apparent relish, that ended with the words "incredibly stupid and improper."

Steiner dutifully read the passage, which recounted how White House adviser George Stephanopoulos and Deputy Chief of Staff Harold Ickes were upset that Altman was going to recuse himself from overseeing the Whitewater-related investigation.

"Harold and George then called to say that BC" meaning Bill Clinton "was furious," Steiner read from his diary. The president was upset because a Republican, Jay B. Stephens, had been hired to be an outside counsel on the case. "George then suggested to me that we need to find a way to get rid of (Stephens). Persuaded George that firing him would be incredibly stupid and improper."

In case anyone missed the point, Hatch held up a giant board labeled "Steiner Diary" with the same passage. The entry suggested that Steiner was the hero, saving Stephanopoulos and perhaps even the president from disaster. But did it really happen that way? Tuesday, Steiner said that "there were things here which do not exactly reflect a chronology or the nuance of what occurred."

Pressed by Hatch, Steiner said: "Let me make it clear ... that neither Mr. Stephanopoulos nor Mr. Ickes ever told me that the president was unhappy." Later, Steiner said Altman had told him Clinton was unhappy.

Steiner was unequivocal on one point: After six years, he has quit keeping a diary.

Altman apologizes to Senate panel, acknowledges mistakes

By Bob Hohler Boston Globe

WASHINGTON Deputy Treasury Secretary Roger C. Altman, his job perhaps in jeopardy over fallout from the Whitewater affair, apologized Tuesday to angry members of the Senate Banking Committee for previously giving them incomplete testimony about the case and acknowledged making several questionable decisions in connection with it.

"I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete," he told the committee. "I regret that perception and apologize for it."

But Altman, under intense, bipartisan criticism, ardently denied wrongdoing and said he "vehemently" rejected Republican assertions that he passed "inside information" on the Whitewater investigation to White House officials.

"My conduct was proper," said Altman, who has emerged as a pivotal figure in congressional inquiries into the Clinton administration's handling of the Whitewater matters.

In a confrontational session, Republican lawmakers suggested that Altman, an appointee and longtime friend of President Clinton, withheld testimony from the Senate panel and improperly provided political cover for the president and Hillary Rodham Clinton.

"Totally unbelievable," Sen. Phil Gramm of Texas said as Altman denied the charges.

And several Democrats displayed little patience with Altman's claims of innocence and his assertion that they had "convicted and sentenced" him before hearing his defense.

"Mr. Altman, it's possible not to do something illegal, not to do something unethical, and yet to do something that reflects very bad judgment, is it not?" asked Sen. Paul S. Sarbanes of Maryland, generally a key defender of the Clinton administration.

"Yes, it is, senator," Altman replied, referring to his contacts with the White House about Whitewater.

In addition to his Treasury job, Altman was serving in February as acting head of the Resolution Trust Corp. when he briefed presidential aides and the Senate committee about the RTC's Whitewater investigation.

The investigation involves the failed Madison Guaranty Savings & Loan of Arkansas, whose former president, James McDougal, was a partner of the Clintons in the Whitewater Development Corp. The Clintons were named as possible witnesses in criminal referrals forwarded last year from the RTC to the Justice Department.

It was Altman's testimony before the Senate panel on Feb. 24 about his briefing of White House officials three weeks earlier that prompted Robert B. Fiske Jr., the special counsel investigating the entire Whitewater affair, to examine the contacts between White House and Treasury officials for possible criminal wrongdoing.

A grand jury determined that no laws were broke, but Fiske declined to offer an opinion on the propriety of the contacts, which both the Senate and House banking committees are considering.

Altman said he concurred with the recent conclusions of White House special counsel Lloyd Cutler and the Office of Government Ethics that most of the 40 contacts between Treasury officials and presidential aides "should not have occurred."

But to the best of my knowledge," he said, "there was no effort on the part of anyone at the White House or Treasury staff to impede or affect in any way the RTC investigation.

[illegible] of the Senate committee asked Altman in a letter about discussions between Treasury and White House officials on Whitewater, he acknowledged only one meeting and did not reveal its full substance, lapses that later were reported by the media.

Several senators noted that Altman's former chief of staff, Joshua L. Steiner, who preceded him to the wi table Tuesday, wrote in his personal diary that Altman had "gracefully ducked" the committee's questions in February about the meetings.

Altman denied he had ducked the questions and blamed his omissions on a lack of "perfect recall."

"I understand how a reasonable person reading my testimony and listening to all the testimony that has come before this committee could believe that I was not as forthcoming as I should have been," he said. "But in no way did I intend to mislead or not to provide clear and forthright answers."

He later apologized and added, "Given an opportunity to do it over again, I would have added more information."

Altman also acknowledged that, as acting head of the RTC, he may have mishandled his decision on recusing himself from the Whitewater investigation, a contentious issue among members of the banking committees.

(EDITORS: NEXT 3 GRAFS OPTIONAL)

Several witnesses have testified that Altman decided to remove himself from the case on Feb. 1, only to change his mind the next day after hearing the objections of former White House counsel Bernard Nussbaum.

Three weeks later, when a New York Times editorial writer called to tell him the paper planned to publish a editorial protesting his decision not to recuse himself, Altman announced that he had changed his mind and would step aside.

"In retrospect, I perhaps should have recused myself right off the bat," he said.

(END OPTIONAL TRIM)

He also contradicted the testimony of the Treasury's top lawyer, Jean Hanson, who said he instructed her last year to inform Nussbaum of the criminal referrals.

The committee devoted nearly five hours before Altman' appearance to rigorously quizzing Steiner about ents in his diary that indicated White House officials improperly tried to influence key Treasury decisions on Whitewater matters.

Altman and White House officials have rebutted the entries, which included assertions that presidential aides applied "intense pressure" on Altman to convince him not to recuse himself from RTC decisions on Whitewater and sought to "get rid" of Jay Stephens, a Clinton foe whom the RTC had hired to investigate Whitewater.

Steiner appealed to the committee to consider his diary "impressionistic" and based in some cases on secondhand or thirdhand information. He argued that some entries wer "overly dramatic' and exaggerated, concurring with Altma and White House officials that he inaccurately portrayed the episodes in question.

"I wrote it and take responsibility for it," said Steiner, who now serves as Treasury Secretary Lloyd Bensten's chief of staff. "But my intention in keeping this diary was not to give you a precise narrative of events that occurred."

But the senators of both parties argued otherwise.

"You had no reason to exaggerate," Sen. Donald W. Riegle Jr., D-Mich., said. "I believe you were being straightforward, honest and candid."

(EDITORS: STORY CAN TRIM HERE)

[illegible] Democrats agreed. "We've got a refreshment memory here today," said Sen. Richard C Shelby, D-Ala. "But there [illegible]

In one of the most heated exchanges, Sen. Alfonse M. D'Amato, R-N.Y., refused to permit Steiner to respond to his questions, charging him with engaging in "a pattern to continue to come up with answers to obfuscate the truth."

Steiner appealed to Riegle, who permitted him to deny D'Amato's assertion.

The Washington Times
WEDNESDAY, AUGUST 3, 1994

Quicksand grips White House at Senate hearings

By Donald Lambro
THE WASHINGTON TIMES

NEWS ANALYSIS

The surprisingly aggressive grilling of administration officials by Senate Democrats at the Whitewater hearings suggests that the White House is running into deeper political trouble over the affair.

With the Gallup Poll showing that only 39 percent believe President Clinton is "honest and trustworthy" — and with Congress given even weaker scores as the midterm elections draw near — nervous Senate banking committee Democrats are taking no chances of appearing soft on Whitewater.

"It's inexcusable," said Sen. Christopher Dodd, Connecticut Democrat, about Treasury Department officials who failed to tell Congress of contacts they had with the White House about the government's investigation into Whitewater.

"There's no acceptable explanation," echoed Sen. Donald W. Riegle Jr., the Michigan Democrat who chairs the committee, which has been much more searching in its questioning than its counterpart in the House.

"This is a bipartisan issue for us. We must know the truth," said Sen. Barbara Boxer, California Democrat.

While top Treasury Department officials, including Deputy Secretary Roger Altman, denied under oath yesterday that they had done anything unethical or illegal, many Democrats joined Republicans on the panel in criticizing them for their handling of the savings and loan investigation.

The major focus of yesterday's questioning turned on whether Mr. Altman was less than candid with the committee last February when he testified that he had had only one substantive contact with the White House about the criminal referrals produced by the Resolution Trust Corp.

> *"This is a bipartisan issue for us. We must know the truth."*
> — *Sen. Barbara Boxer*

The RTC, which Mr. Altman headed until earlier this year, is the independent regulatory body that investigated the failed Madison Guaranty Savings and Loan, owned by the Clintons' former business partner in the Whitewater real estate venture.

Three separate investigations have since showed that there were about 40 White House-Treasury contacts concerning the RTC criminal probe, contacts that raise questions about whether the White House violated the RTC's independence for its own political ends.

Mr. Altman has since admitted that he had many more contacts with White House officials about the RTC's investigation than he originally admitted before the committee.

When the hearings began last week, Democrats on the committee went out of their way to downplay the significance of Whitewater, saying it was a far cry from the Watergate and Iran-Contra scandals of the past.

But as new questions were being raised by Republican critics about the White House's handling of the investigation and the media spotlight refocused on the Whitewater affair, the Democrats on the panel have suddenly become much less reluctant to interrogate the president's senior aides aggressively.

"There's been a distinct shift in the mood of the committee's Democrats," said an aide to a GOP member of the committee. "Now they're not so sure of the administration's case."

Joshua Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, was closely questioned about entries in his diary that detail behind-the-scenes maneuvering in the White House's West Wing as the Whitewater controversy grew. One entry refers to White House "pressure" that was brought to bear on Mr. Altman over Whitewater.

Mr. Altman's job is on the line as he seeks to restore his credibiity and defend himself from charges that he abused his position as the acting head of RTC in an attempt to help the White House rebuff its critics on Whitewater.

There have been growing calls for him to step down. The New York Times, one of the president's chief supporters in the news media on issues such as health care reform, said in a recent editorial that Mr. Altman's handling of the RTC investigation "seals the case for his dismissal or resignation."

Questions have also been raised about Mr. Bentsen. How was it possible that he did not know about these Treasury-White House contacts when so many of his aides were briefing the White House?

Mr. Bentsen will get to answer that question today when he goes before the committee.

But yesterday Mr. Clinton's press secretary, Dee Dee Myers, seemed to send a signal that the president's confidence in Mr. Bentsen and Mr. Altman is less than solid. "At this point, the president has full confidence in his team" at Treasury, she said.

She later retreated from that statement, saying: "I should not qualify it. The president has full confidence."

Mr. Clinton, The Bus Stops Here

By Joel Achenbach
Washington Post Staff Writer

Sodomy. That's just one of the serious matters being completely overlooked at the Whitewater hearings. I've been watching and listening for days and so far I haven't heard anyone mention sodomy, not even Al D'Amato.

Reminding us of the sodomy issue, however, was a Greyhound-size bus idling outside the Dirksen Senate Office Building on Monday. On the side of the bus were the words "Wake Up America" and "Should Clinton Be Impeached?" In smaller type was a list of the president's purported sins:

WOMANIZING
TROOPERGATE
DECEPTION
ABORTION
ADULTERY
BRIBERY
SODOMY
FRAUD
ADFA

I would have to say it was a toss-up as to what was the grabbier entry on the list: "sodomy" or "ADFA." I did not know then what ADFA was—but the context would suggest that, with two consenting adults and a bottle of wine under a starry sky, it might be a lot of fun.

WASHINGTOLOGY, From B1

Inside the bus, a man named David Drye explained the sodomy angle: "He's promoting sodomy through the military. Sodomites in the military."

Suddenly a tall, excited man jumped aboard. It was Randall Terry. The Operation Rescue person. Terry explained that they'd already done eight cities. Tremendous media coverage. This thing is big! And why? Because Bill Clinton is a bad man.

"A man who will violate his wedding vows, flagrantly, a guy who will push condoms on 12-year-olds . . . he's corrupt!" Terry said.

Terry leaned into a megaphone mounted in the bus window, and shouted at the Dirksen Building, "These hearings are a joke!"

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Actually, they're not. But neither is Randall Terry. From the bus on the curb it's a long way, rhetorically, to the hearing being conducted by the Senate Banking Committee. But whether one is on the bus or inside the Dirksen Building or just about anywhere else in America, there is this nagging question that brings unlikely people together: Who exactly is Bill Clinton and can we trust him?

The Whitewater hearings have been widely ridiculed as dull (in this column last week, for example), but I have found myself increasingly hooked, possibly because the senators inside Dirksen are getting nastier and the witnesses squirmier. It's turning into a public execution of Treasury officials. Yesterday it appeared that Sen. Alfonse D'Amato might any second lunge teeth-first for young Josh Steiner's throat. D'Amato seems to be a man who wants to exact vengeance from the world—possibly for having been born with a silly voice.

Of course Steiner was asking for it. In February he wrote in his diary that his boss, Roger Altman, was under "intense pressure" from the White House not to recuse himself from Whitewater matters. Steiner also wrote in the diary that Altman had "gracefully ducked" a question in testimony before this same committee. Steiner yesterday insisted that Altman had not been under any pressure from the White House and had been "truthful and forthright" in the testimony.

How can this be? Easy. The diary was wrong, Steiner said. "I wish that my diary was more accurate," he said.

Altman's February testimony also put Treasury general counsel Jean Hanson on the hot seat for seven hours Monday. Hanson had been sitting behind her boss last February, smiling and looking at the ceiling as he gave testimony that she knew was erroneous. What should she have done? Maybe she should have passed Altman a note saying, "Mr. Deputy Secretary, you're either stupid or lying." Here's what she did: She made a mental note that Altman's answers "would require further elaboration," and later requested a transcript, which she says never arrived.

She kept talking about "supplementing and reviewing the transcript." This is a classic Washington conceit: The written record can always be revised. Senators do it themselves all the time, literally going to the Congressional Record office and doctoring the transcripts of their floor speeches.

Hanson's roasting provides an important lesson for anyone who wants to survive in this city: When you are slimed by someone else's mistake, even if only through proximity to the slime-burst, you have to take immediate action. You must remove the slime, directly and immediately. You cannot remain slimed and hope no one else notices. Slime grows slimier with each passing minute. Hanson should have made a counter-slime maneuver in February; by Monday night the slime had gotten so bad that if you had tried to shake her hand she might have squirted through the window.

Yesterday, Altman himself was pretty smooth for a man fighting for his reputation. He said in February that there was only one "substantive" meeting between Treasury and White House officials related to Whitewater, a statement hard to reconcile with the fact that there were actually at least 40 contacts. Altman, repeatedly citing his use of the word "substantive," has a lot riding on that lonely adjective. He was never flustered; the man is indeed a graceful ducker. This guy's going to make a *lot* of money in the private sector.

The main point of administration officials seems to be that no one actually impeded any investigations. But that's also what Richard Nixon said for years about the central crime of Watergate: He argued that although he and H.R. Haldeman had spoken in the Oval Office about getting the CIA to tell the FBI to back off on the Watergate burglary investigation—the critical part of the famous "smoking gun" tape—the CIA never actually did anything.

To Nixon, that absolved him.

We know what happened to Nixon.

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The president himself is so far a fringe character in these proceedings. That's one difference between the Whitewater hearings and the Watergate hearings 20 years ago. Most Americans don't really care about low- and medium-level administration officials.

But they do care about Clinton. This hearing is fundamentally inspired by Bill Clinton and the questions about his character. So the bus outside is not irrelevant, it's just extreme.

On the side of the bus the list went on:

GENNIFER FLOWERS
WHITEWATERGATE
DRAFT DODGING
VINCE FOSTER
DRUG ABUSE

Bill Clinton's polluted soul is the lodestone of the screaming moralists. It is a soul that attracts even as it repels. Around it can be rallied the forces of rectitude and righteousness. Clinton is the greatest asset of his enemies: A reverse Jesus, he has sinned so that others may vent.

Terry ticked off the reasons he thinks Clinton should endure impeachment proceedings:

"The bribery of Sally Purdue and Roger Perry. Obstruction of justice with Jean Lewis at the RTC. Then there's document shredding. Then the last one would be ADFA."

ADFA! That damn thing!

It turns out to be the Arkansas Development Finance Authority. It does sound sinister. ADFA was a Clinton creation. It issued bonds. According to anti-Clinton doctrine, it was but one of the many tentacles of corruption emanating from the slippery, spongy head of Bill Clinton.

"We cannot talk about how the cocaine distributor Dan Lasater bankrolled the Clinton campaigns, paid off the president's half brother's drug debts, and then got sweetheart bond deals with the state of Arkansas," Sen. Lauch Faircloth complained Friday in his opening statement at the Whitewater hearing.

Faircloth is a freshman senator and a rising star thanks to this hearing. He can be counted on to give a witness guff. His press secretary says Faircloth calls himself "the *conservative* senator from North Carolina," to distinguish himself from that flower child of the left, Jesse Helms.

"Certainly there was a close association between Dan Lasater and President Clinton and Hillary Clinton. These are known facts. Lasater was certainly a convicted cocaine dealer," said the pig-farmer-turned-senator.

The right wing is loaded for bear. The Clinton people know it. This is war.

But the mood of something like this can be strangely ephemeral. Right now the administration looks kind of foolish. Perhaps in a matter of weeks some officials will resign, we'll invade a small Caribbean country, and the whitewaters will recede from view as they always seem to do.

Until, in obedience to nature, they rise again.

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Altman offers his apologies to angry senators

Denies he intended to mislead

The Washington Times
WEDNESDAY, AUGUST 3, 1994

By Jerry Seper
THE WASHINGTON TIMES

Republicans grilled Deputy Treasury Secretary Roger C. Altman during Whitewater hearings yesterday for suspected lying in previous Senate testimony as he blamed his department's general counsel for misleading statements about White House contacts on the affair.

Mr. Altman, in the third day of hearings before the Senate banking committee, testified under oath that he did not tell General Counsel Jean Hanson to brief the White House on a pending criminal referral in an investigation of a failed Arkansas thrift tied to President and Mrs. Clinton.

"I do not believe that I suggested that the White House be informed on any facts relating to this referral. . . . I do not believe that to be the case," Mr. Altman said.

Mr. Altman, apparently taking advantage of an offer by Mrs. Hanson during her sworn testimony on Monday to take the blame in the possibly improper White House-Treasury contacts, also told the committee that erroneous comments he made to the panel in February were her fault.

He said she was sitting behind him at the Feb. 24 session when he told the committee he was aware of only one White House-Treasury contact and "turned to her and she confirmed my answer." Congressional investigators have since confirmed at least 40 contacts.

Mr. Altman, while denying he misled the committee during his February testimony, nonetheless apologized to the senators if any of them felt his statements were not candid.

"I do not have perfect recall, and I may have heard or understood questions in a way that was not intended by the senator asking the question," he said. "And if I did so, I sincerely apologize to all members of the committee.

"But I do want to be clear . . . in no way did I intend to mislead or not to provide complete and forthright answers. I have too much respect for this committee, for our system of government, and for the need for full and forthright communications between the executive and the legislative branches," Mr. Altman said, with Treasury Secretary Lloyd Bentsen's wife, B.A., sitting behind him for moral support.

In the bizarre and often rancorous Senate hearings, during which videotapes of Mr. Altman's testimony were offered as evidence, the deputy secretary and other top Treasury officials could recall few specifics about briefings to inform the White House about a Resolution Trust Corp. (RTC) probe tied to the Clintons.

Both Democrats and Republicans said they were not totally satisfied with Mr. Altman's apology and believed he had not been truthful with them at the February hearing. They said congressional investigators have found he was not candid about a series of meetings he had with White House and Treasury officials over the RTC inquiry.

At one point, when Mr. Altman, 48, attempted to qualify his answers to pointed questions, he was interrupted by Sen. Paul Sarbanes, Maryland Democrat, who said: "Let's strike the words 'in detail.' "

Later, when he tried to clarify a response with the word "substantive" in explaining contacts he had, Sen. Alfonse M. D'Amato, New York Republican, angrily counseled the deputy secretary: "Don't tell me about substantive. Was [the contact] about Whitewater?" Mr. Altman, whose resignation has been rumored in Washington, did not respond.

Sen. John Kerry, Massachusetts Democrat, also told Mr. Altman he found it "very hard to believe" Mrs. Hanson went to the White House on her own to advise White House Counsel Bernard W. Nussbaum about the RTC investigation.

Mr. Altman, whose testimony ranged from ardent confidence to nervous contradictions, was preceded to the hearing table by Joshua Steiner, the Treasury Department's chief of staff. Mr. Steiner tried to disassociate himself from his own diary, which outlined in flowing prose efforts by the White House and Treasury to monitor the Whitewater affair.

Mr. Steiner, 28 — who was addressed as "Josh" by many senators and who Sen. Barbara Boxer, California Democrat, said reminded her of "my children" — attempted to explain several comments in a dairy he maintained, including one entry that Mr. Altman had "gracefully ducked" questions during his February testimony.

Mr. Steiner, in attempting to explain the comment, said he did not believe Mr. Altman "lied to this committee or attempted to mislead this committee. I believe he spoke truthfully and to the best of his knowledge."

"You're telling me he gracefully ducked the questions he knew was going to be asked," said Sen. Lauch Faircloth, North Carolina Republican. "You kind of admired his ducking, because you said he ducked gracefully rather than clumsily.

"I mean, you know, that's nicer ducking . . . than kind of stumbling through a duck . . . to gracefully duck," he said.

Mr. Steiner told Mr. Faircloth he would not use the same description if he were writing the dairy today.

"Oh, I'm sure of that. I never doubted that," Mr. Faircloth said. "Lord, have mercy! I knew you'd use different words today. But you tell me the difference between ducking and lying."

Under lengthy questioning by both Democrats and Republicans, Mr. Steiner:

- Denied an entry that Mr. Altman was under "intense pressure from the White House" to continue in his oversight role as acting RTC boss in the investigation of Madison Guaranty Savings and Loan Association and its links to Whitewater Development Corp. The Clintons were partners in Whitewater with Madison owner James B. McDougal. Mr. Steiner said yesterday, "It was not my impression at the time he was under pressure."
- Dismissed an entry that Mr. Clinton "was furious" when Mr. Altman recused himself from the RTC investigation. He testified the entry was based on information he overheard and said he had no direct corroboration.
- Suggested an entry that senior White House adviser George Stephanopoulos wanted to "get rid of" former U.S. Attorney Jay Stephens, who had been hired by the RTC to look into the Madison case, actually should have said Mr. Stephanopoulos was not referring to the actual removal of Mr. Stephens.

Mr. D'Amato, frustrated over Mr. Steiner's explanations, at one point told the Treasury official to stop with his "feeble, lame-brained excuses" to "explain away" the diary.

The Senate hearings continue today. The witnesses will be Mr. Bentsen; Eugene Ludwig, comptroller of the currency; Joel Klein, White House deputy counsel; White House associate counsels Neil Eggleston, Clifford Sloan and Beth Nolan; Thomas F. "Mack" McLarty, counselor to the president; and Margaret A. "Maggie" Williams, Hillary Rodham Clinton's chief of staff.

The House banking committee, where hearings last took a rambunctious atmosphere, al will hold further hearings today the Whitewater affair. Witness will include Mr. Altman, Mrs. Ha son, Mr. Steiner, Treasury Depu General Counsel Dennis I. For man and former Treasury pre secretary Jack DeVore Jr.

During Monday's sion, Mrs. Hanson testified s was "tasked" by Mr. Altman meet with Mr. Nussbaum on Se 29, 1993, to advise him t RTC regional office in Kans City, Mo., was forwarding ni criminal referrals in the Mac case to Washington.

She told Mr. Nussbaum, who h since resigned over his handling the White House-Treasury co tacts, that at least one of the refe rals named the Clintons as pote tial witnesses.

The referrals also suggested t Clintons may have benefited fro improper activities at Madison.

Mrs. Hanson, who testified f eight hours, at one point offered accept blame for the contacts for Mr. Altman's misleading mony to the Senate banking co mittee. Her sworn testimony w so self-damaging that Mr. Ker said: "It's "almost as if you're ting yourself up to take the fall f Mr. Altman."

Meanwhile, Mr. Clinton yeste day offered his full confidence top Treasury officials. The Whi House, in a statement, said: "A this point, the president fu confidence in his team — in Secr tary Bentsen and Deputy Secr tary Altman and the of t team over at Treasury."

White House spokeswoman De Dee Myers also said the Whi House was not concerned abo contradictory testimony befor the committee.

"I don't know that that's happened before," she sai "Sometimes people have differe recollections or differing recolle tions of events. It's certainly for the White House to try to so those out."

HEARING, page A13

WITNESS LISTS

Who's scheduled to appear today for the Senate and House Whitewater hearings

House banking committee:

- **Roger Altman,** deputy Treasury secretary
- **Jean Hanson,** Treasury Department general counsel
- **Joshua Steiner,** Treasury secretary's chief of staff
- **Dennis Foreman,** Treasury Department deputy general cou
- **Jack DeVore,** former assistant Treasury secretary for public affairs

Senate banking committee:

- **Lloyd Bentsen,** Treasury secretary
- **Eugene Ludwig,** comptroller of the currency
- **Joel Klein,** deputy counsel to the president
- **W. Neil Eggleston,** associate counsel to the president
- **Clifford Sloan,** associate counsel to the president
- **Beth Nolan,** associate counsel to the president
- **Thomas F. "Mack" McLarty,** counselor to the president
- **Margaret Williams,** assistant to the president and the first lady's chief of staff

The Washington Tin

Altman Admits Making `Incomplete' Statements About Whitewater (Washn) By Michael Ross and Sara Fritz= (c) 1994, Los Angeles Times=

WASHINGTON Deputy Treasury Secretary Roger Altman, fighting to save his job amid mounting criticism of his role in the Whitewater affair, acknowledged Tuesday that some of his past statements to Congress may have been ``incomplete" and misleading.

But in his long-awaited appearance before the Senate Banking Committee's Whitewater hearings, Altman continued to insist that he never intentionally lied to Congress and never sought to interfere with federal regulators investigating the failure of an Arkansas thrift owned by a business partner of the president and Hillary Rodham Clinton.

``I did not do it myself, and I am not aware of anyone else doing so," Altman told the Senate Banking Committee.

With Republican lawmakers angrily calling for his resignation and even Democrats expressing reservations about his conduct Altman passionately defended his reputation at what was the dramatic high point of the weeklong Senate and House hearings focusing on whether confidential information was improperly conveyed to the White House about an investigation in which the Clintons had been named as possible witnesses.

``I read that I have already been convicted and sentenced before
a trial has even taken place," Altman said of the GOP demands for his resignation, which have been multiplying in the wake of allegations that he misled the Senate Banking Committee in testimony on Feb. 24 about the extent of the contacts that Treasury Department officials had about Whitewater with the White House since the previous September.

Altman admitted that his previous testimony appeared to him in retrospect to have been ``too narrow or perhaps incomplete" and he said that, if he had ``to do it over again, I would have added more information."

But with the dramatic aid of a videotape, he sought to shift some of the blame for his earlier omissions on Treasury Counsel Jean Hanson, who sat behind Altman at the Feb. 24 hearing but failed to correct him even when she knew, according to her earlier testimony, that the answers he was giving were not complete.

A close friend of President Clinton since their college days together, Altman was also serving as acting head of the RTC last September, when federal regulators were examining allegations that federally insured deposits from the failed thrift, Madison Guaranty Savings and Loan, had been illegally diverted to Whitewater, an Ozarks resort development that the Clintons owned jointly with James B. McDougal, Madison's chairman.

Whitewater Independent Counsel Robert B. Fiske Jr., who has been investigating the Whitewater affair since January, has already concluded that White House and Treasury Department aides violated no criminal laws in the 40-odd meetings, phone calls and other discussions they had about Madison over a six-month period that began in the fall of last year, when the Whitewater affair was unfolding.

But citing damaging references to Whitewater in memorandums, diaries and notes kept by many of those involved in the discussions, it has been alleged that the contacts nevertheless represented an improper attempt by Altman and other political appointees at Treasury to keep the White House informed of the status of the investigation in violation of RTC procedures.

Like other administration officials who have testified before him, Altman stressed that neither he nor any one else at Treasury ever sought to interfere with the RTC investigation, which has since been turned over to Fiske.

Altman's recollection appeared at times to falter when it came to recalling disputed details of several events and his explanation of why he gave seemingly misleading testimony at the Feb. 24 hearing was greeted with disbelief by [illegible]

Asked pointedly about the discussions at the February hearing, Altman testified that there had been only one ``substantive" contact a Feb. 2 meeting at which he briefed White House officials on the RTC's procedures for filing civil claims in the Madison case.

In fact, as other officials have since acknowledged, there had been as many as 40 meetings, telephone conversations and other Whitewater-related contacts in the months preceding Altman's first appearance before the banking committee, including at least four involving Altman personally.

Most of the questions from skeptical senators on Tuesday centered on why Altman neglected to mention the other contacts when he testified in February. They also demanded to know why he failed to mention a key exchange during the Feb. 2 meeting when he informed White Hc Counsel Bernard Nussbaum that he had decided to disqualify himself, as acting RTC chief, from further consideration of all Whitewater-related matters.

White House officials have since conceded that Nussbaum opposed the decision and after the meeting Altman seemed to waiver, telling senior aides that he had decided ``to sleep on it." He finally announced his decision to disqualify or recuse himself on Feb. 25,
a day after the Senate hearing.

Altman testified on Tuesday that he didn't tell the senators about the decision or his conversation with Nussbaum because they never asked him about it.

(End optional trim)

Some of the most heated exchanges came when Altman disputed the Republicans' assertions that he sought to conceal the extent of the Whitewater contacts he had had with White House officials before the Feb. 24 hearing.

``You did not tell the truth!" shouted Sen. Phil Gramm, R-Tex., at one point. ``Senator, I told the truth," Altman responded in a voice edged with anger.

(Optional add end)

Democrats joined in the criticism of Altman's insistence that he could ``not recall" asking Hanson, the Treasury Department's top lawyer, to tell the White House last September that nine RTC referrals mentioning the Clintons as potential witnesses were being forwarded to the Justice Department.

Hanson has said she relayed the information to Nussbaum at a Sept. 29 White House meeting because Altman had instructed her to do so. Her own credibility called into question on several counts, Hanson insisted during seven hours of grueling testimony on Monday that she did not know Nussbaum personally and would never have approached someone so high up in the White House on such a sensitive matter without Altman's authorization.

Altman said he did not believe that he asked Hanson to brief Nussbaum, but indicated that she could have ``mistakenly inferred" that she should do that.

Indeed, the daylong hearing served less to restore the luster to Altman's tarnished credibility with the senators than it did to underscore the many discrepancies between his recollection of events and Hanson's.

Hanson testified that she knew Altman was giving incomplete answers to the questions about the White House-Treasury contacts but was given no opportunity to correct him at the time.

However, a videotape of the hearing that was replayed on Tuesday showed that Altman turned to consult with Hanson after responding to a question about the contacts by saying that the only ``substantive" one he was aware of was the Feb. 2 meeting to brief White House officials on RTC procedures.

The tape did not reveal what Altman whispered to Hanson, but it shows her a moment later vigorously shaking her head in the negative.

Altman indicated that she was confirming to him with that gesture that he had not omitted anything from his

Whitewater doubts rise as officials' stories clash

Can't any Clinton official give a straight answer about Whitewater?

It doesn't seem so. Not from Senate testimony this week by top Treasury Department officials. Their stories clashed like polka dots and plaid as they tried to explain away White House-Treasury contacts.

At issue: whether the White House tried to influence the Resolution Trust Corp.'s investigation into the bankrupt Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater business partner.

Deputy Treasury Secretary Roger Altman in particular had a hard time Tuesday squaring what he told the Senate committee in February with the facts. Back then, when he was acting head of the RTC, he said he had one contact with the White House about RTC criminal referrals over Madison to the Justice Department. In fact, there were 40 Treasury-White House contacts, unheard of in similar cases.

Altman's explanation: He misunderstood senators' questions.

No better answers came out of chief of staff Joshua Steiner. He repudiated his own diary's accounts about "White House pressure" on Altman and Altman "ducking" senators' questions, saying he should have phrased his statements differently.

And then there was the explanation by Treasury counsel Jean Hanson about her saying Altman told her to contact the White House when he said he did not. "These differences," she said, "are irrelevant. . . . No one . . . intended to do, or did, anything unethical or wrong."

Irrelevent? Congress wants to know whether the White House tried to influence a federal investigation. Differing recollections make that harder; too many raise the suspicion someone is lying.

That's been the problem with Whitewater all along. The administration's words and deeds have been in constant conflict. It has consistently promised openness, but:

▶ Refused for weeks to hand over Whitewater files to the Justice Department.

▶ Balked at naming a special prosecutor.

▶ Held back tax returns dealing with the Clintons' Whitewater investment.

Such stonewalling mocks White House aides' claims they talked with Treasury officials only to help answer press questions. Lack of real answers is one reason a third-rate land deal has blown up to a scandal.

What's needed is obvious. The administration must open up. Put every file, every scrap of paper, every bit of information about Whitewater into the public realm. The RTC could help by opening up Madison files it now refuses to release.

The public deserves no less. Only straight, complete answers can keep Whitewater "misunderstandings" from tying the administration and its officials in knots.

▶ Hearings, 1A

Today's debate: PAYING YOUR BANK

Bank fees out of hand

OUR VIEW **Once one bank starts charging a new fee, the practice spreads to others like wildfire.**

A penny saved used to be a penny earned. No more.

Thanks to low interest rates and high bank fees, small savings may earn you zilch. They can even cost you money.

Junior Girl Scout Ryan Cobb of Arlington, Va., found that out when her father opened an account for her cookie sales at his credit union. When a customer's check bounced twice, the credit union pounced — taking two $12 bites in penalties. That broke her account, so when the 10-year-old unwittingly wrote a check for $7 for lunch money, the credit union took another bite — $15 for insufficient funds.

Ryan, though, bit back. She went to Congress with her story in June, leading to the embarrassed credit union reimbursing her.

Thousands of less persistent depositors haven't been as fortunate, absorbing the price of a sharp run-up in service charges at the nation's 40,000 banks, credit unions and similar financial institutions.

Commercial banks' fee income on deposit accounts alone has grown three times faster than inflation since 1989, increasing from $10.3 billion to $15 billion last year.

The average fee for the most widely held non-interest-bearing checking account has jumped 45%; for a money order, 16%; for overdrafts, 29%. And all at a time when banks are raking in record earnings.

And banking institutions haven't stopped with mere increases. They've also added 130 new ways to wheedle money from their customers' accounts.

Close an account or pay off a loan early, and you may face a fee. Use ATM machines too often or too little, and you can pay a fee. Phone a teller, pay a fee.

And once a fee gets started, it spreads like a virus throughout the banking system.

Four years ago, only 35% of banks charged a fee for depositing a check that bounces. Now 85% do. And the average charge, nearly $6, bears no relation to a bank's cost for handling the problem, which is less than $2.

Bankers argue consumers can shop around for the best deal on fees. But with no standardized fee schedules and fees that change on short notice, that's an illusion. People just don't move their bank accounts every week to get the best deal.

So small depositors, mostly young or poor, find a basic savings account unaffordable, with costs for a $200 account now averaging more than $20 a year.

One result: 14% of families today have no bank account at all, up from 9% 15 years ago, according to the Federal Reserve.

This is bad for depositors and the nation.

If bankers don't rein in their greed, they'll deserve what they get when a parade of victims like Ryan prompts Congress to do it for them.

Fee issue exaggerated

OPPOSING VIEW **Banks give customers good value; service fees easily can be avoided.**

By Donald G. Ogilvie

With 40,000 banks, savings and loans, credit unions, brokerages and insurance companies scrambling for customers today, any bank that charges fees that are out of whack with the competition will be chasing customers out the door. Does anyone want to go back to the days when, instead of earning interest on checking accounts, customers got toasters?

Actually, a bank checking account gives you excellent value for your money. Think about it. For about $4 to $6 a month, you get unlimited use of a checking account, 24-hour access via an automated teller machine *and* Federal Deposit Insurance Corp. insurance. You could spend more on a hot dog and drink at the baseball park, a month of Home Box Office or four weeks of USA TODAY.

And what about those ATM fees? Nearly nine in 10 banks offer their customers *free* use of the bank's own ATMs. Not bad, considering that providing ATM services actually costs banks more than the revenue the machines generate. Consumers used ATMs more than 7 billion times last year, 24 hours a day, 365 days. It's clearly a convenience they want — and rarely have to pay for.

Bank fees aren't a secret. Laws like Truth in Savings and Truth in Lending require banks to disclose their fees up front and in writing, making the information available to anyone who walks in the door.

There are plenty of ways to avoid fees altogether:

▶ Shop your bank, shop other banks and shop the competition. Find the institution that best meets your needs.

▶ Write checks only on money you have. Accept checks only from others who look like pretty good risks (banks have to make these kinds of character decisions every day).

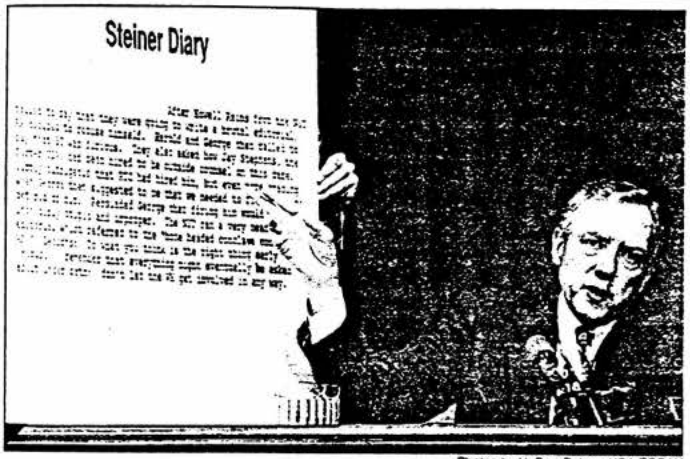
▶ Keep a minimum balance in your checking account. If you make an honest error and bounce a check, talk to your banker. Good customers with good transaction histories often get fees waived.

▶ Use your own bank's ATMs. Consider reducing the number of transactions by withdrawing larger amounts each time, or use a teller.

▶ Ask about check overdraft protection, and *read* your bank's fee-disclosure literature.

Donald G. Ogilvie is executive vice president of the American Bankers Association. For more information, write for ABA's free brochure, "Time & Money Brochure," American Bankers Association, 1120 Connecticut Ave. NW, Washington, D.C. 20036.

Whitewater diary spells trouble



Photos by H. Darr Beiser, USA TODAY

IN BLACK AND WHITE: Sen. Orrin Hatch, R-Utah, with excerpts of Joshua Steiner's diary.

Dear Diary: 2 different tales

Treasury Department chief of staff Joshua Steiner kept a diary that seems to contradict the Clinton administration's version of how it handled Whitewater and the federal probe of Madison Guaranty Savings & Loan.

The Clinton administration says:

▶ No pressure was placed on Deputy Treasury Secretary Roger Altman to remain in charge of the Madison bankruptcy case, when he wanted to recuse himself.

▶ Altman answered all questions honestly when testifying before the Senate on Feb. 24.

▶ The White House did not try to fire Jay Stephens, a Justice Department official and later deputy White House counsel in the Reagan administration who had been hired as a lawyer on the Madison case. Diary excerpts:

JAN. 24-FEB. 12, 1994

"RA (Altman) originally decided to recuse himself but under intense pressure from the White House, he said he would make the final determination based on a recommendation from Ellen Kulka, the GC (Treasury general counsel) ... Pressure on RA will certainly mount next week when Congress holds hearings on the RTC."

FEB. 13-27, 1994

"Every now and again you watch a disaster unfold and seem powerless to stop it. For weeks we have been battling over how RA should handle the RTC (Resolution Trust Corp.) investigation of Madison Guaranty S&L. Initially, we all felt he should recuse himself to prevent even the appearance of conflict. At a fateful WH (White House) meeting with (former White House chief of staff) Bernard Nussbaum, (presidential aides Harold) Ickes and (Margaret) Williams, however, the WH staff told RA that it was unacceptable. RA had gone to brief them on the impending statute of limitations deadline and also tell them of his recusal decision. They reacted very negatively to the recusal and

STEINER: Treasury official's diary appears to contradict White House on Whitewater.

RA backed down the next day. ...

"At the hearing, the recusal amazingly did not come up. The GOP did hammer away at whether RA had had any meetings with the WH. He admitted to having had one to brief them on the statute deadline. They also asked if staff had met, but RA gracefully ducked the question and did not refer to phone calls he had had. The next day, the NYT (*New York Times*) ran a front page story on the meeting. The heat was on. We spent a tortured day trying to decide if he should recuse himself. ...

"After Howell Raines from the NYT called to say that they were going to write a brutal editorial. RA decided to recuse himself. Harold (Ickes) and (presidential aide George Stephanopoulos) then called to say that BC (Bill Clinton) was furious. They also asked how Jay Stephens had been hired as outside counsel on this case. Simply outrageous that RTC had hired him, but even more amazing when George then suggested to me that we needed to find a way to get rid of him. Persuaded George that firing him would be incredibly stupid and improper."

'Refreshing truthfulness' could cost officials their jo

By Dennis Cauchon
and Judy Keen
USA TODAY

The senators believed the young man's diary.

Joshua Steiner, 28, educated at Yale and Oxford, spent a long day trying to explain what he *really* meant in his diary.

But in the end, the Senate Banking Committee agreed the hand-written diary by the Treasury Department's chief of staff rang true to them.

"You had no reason to shade the truth, no reason to exaggerate," said Sen. Don Riegle, D-Mich., committee chairman.

The verdict, delivered by Democrats and Republicans alike, was bad news for three Treasury officials fighting to save their jobs.

Steiner's diary is at odds with important parts of how the Clinton administration explains its handling of the Whitewater controversy.

The Senate hearing, in its third day, is designed to find out if the Clinton administration interfered with the Whitewater probe or lied to Congress about its actions.

USA TODAY

ALTMAN: 'Convicted and sentenced'

Steiner, Deputy Treasury Secretary Roger Altman and Treasury general counsel Jean Hanson are in danger of losing their jobs over the handling of Whitewater.

"I read that I've already been convicted and sentenced, even though the trial hasn't taken place," Altman said. "I hope today's process will be fairer than that."

The Treasury officials have been cleared of doing anything illegal or in violation of ethics rules. But many senators believe Steiner, Altman and Hanson didn't tell them the truth at these hearings and, in Altman's case, at a Feb. 24 hearing.

After watching a video of his earlier testimony, Altman said the replay proved he told the truth. The senators didn't think so. "Mr. Altman, did you ever walk on water?" asked Sen. Lauch Faircloth, R-N.C.

Altman was in charge of the Resolution Trust Corp., which handles savings and loan bailouts. At issue: how he handled the Madison Guaranty S&L case. The S&L's owner was a partner with President Clinton in the Whitewater land deal.

Steiner's diary says the White House put "it ...e pr... sure" on Altman to stay ...volved in the Whitewater ca... when he wanted to ...

It also says that White Hou... aide George Stephanopoul... tried to "get rid of" a Reput... can lawyer who had be... hired to handle lawsuits in t... Madison case.

Steiner said the senato... shouldn't believe everything ... his diary. "I wish that my dia... was more accurate," he said ...

He stressed it was mere... impressions of what happene... "I made no effort to check t... accuracy of this diary."

The senators didn't buy it.

"The power of your writt... word expressing your ... feelings in a diary ... world was never to ... is ... powerful that it destroys yo... testimony today," said Se... Phil Gramm, R-T...

Added Sen. John Kerry, ... Mass.: "I ... is ... refreshing trut... fulness (in the di... ry), an inno... observation ... what's going on ... Washington. ... Your diary is ve... refreshing. It ... very honest."

Concluded Se... Richard Shelby, ... Ala.: "You've got ... convenient mem... ry, but the diari... speak for them... selves."

Only Sen. Barbara Boxer, ... Calif., came to his defens... "Too much is being ... this diary," she ... "Yo... were just using language to d... scribe feelings. You have ... ings and I like that."

Despite skepticism ... Steiner and Altman's testim... ny, the Democrats noted th... Whitewater special couns... Robert Fiske and the Office ... Government Ethics ha... cleared the administration.

White House spokesman D... vid Dreyer said TV viewe... saw Clinton administration of... cials "who were straightfo... ward in admitting mistak... when mistakes were made b... who were right to remind pe... ple that three investigatio... have reviewed their behavi... and found no wrongdoing."

Altman still has the offici... support of the administratio... Treasury Secretary Lloy... Bentsen's wife, B.A., sat behin... Altman while he testified.

Lloyd Bentsen testifies toda... to the Senate committee.

▶ Altman under fire, 1A

Panel: Nicotine addictive

Regulation of tobacco possible, if FDA agrees

By Esme M. Infante
USA TODAY

SILVER SPRING, Md. — Nicotine is an addictive drug, an FDA panel said Tuesday, setting the stage for possible regulation of tobacco products.

The Food and Drug Administration is expected to accept the panel's conclusion.

The next point to be considered, says FDA Commissioner David Kessler: "What is appropriate policy — how should (cigarettes) be regulated?"

The question of whether nicotine is addictive arose after recent reports that tobacco companies had known of its dangers for decades.

Among proposals expected to be considered by the FDA:

▶ Gradually reducing the amount of nicotine permitted in cigarettes to a level that is not addictive. Nicotine is a natural substance in tobacco.

▶ Changing labeling to regulate such terms as "light" and "ultra-light" and to inform consumers of the amount of nicotine in cigarettes. Some scientists say labels currently underestimate nicotine levels.

▶ Restricting young people's access to cigarettes.

A central point Tuesday: the definition of addiction.

Tobacco Institute representative Domenic Ciraulo, of Tufts University School of Medicine, argues that for a drug to be identified as addictive, it has to be "intoxicating."

"A 100 mg dose of caffeine in a cup of coffee produces a far greater increase in euphoria than a cigarette," he says.

But Neal Benowitz, chief of clinical pharmacology at the University of California, San Francisco, says nicotine has such a powerful pull some people still smoke even when facing death from lung disease.

"When they have good reasons to stop and they can't," he says, "that's the functional definition of addiction."

The advisory committee did not establish a minimum dosage at which addiction occurs.

But panel member Max Schneider says the evidence doesn't suggest "there is any safe dose of nicotine."

Aide: 'I did not lie' on Whitewater

By Judy Keen
and Dennis Cauchon
USA TODAY

Deputy Treasury Secretary Roger Altman apologized Tuesday for misleading senators about Whitewater, but didn't escape scathing criticism.

"I did not lie to Congress," Altman told the Senate banking committee. "I told the truth."

At issue: Did White House or Treasury Department aides try to block or change a probe of Madison Guaranty Savings & Loan, linked to the Clintons?

Altman, his job reportedly at stake, tried to convince the panel he didn't lie to it on Feb. 24. Before he spoke, White House press secretary Dee Dee Myers said President Clinton has "full confidence" in him.

In February, Altman said he had only one "substantive" contact with the White House about the Madison probe.

But he failed to mention several other White House contacts and the full content of the Feb. 2 meeting he did disclose.

"I may have heard or understood questions in a way that was not intended," Altman now says. "I sincerely apologize."

Republicans, as the hour grew late and their patience grew thin, weren't buying it:

"Totally unbelievable," said Sen. Phil Gramm, R-Texas.

Earlier Tuesday, Treasury chief of staff Joshua Steiner distanced himself from his own diary's characterizations of the administration's Whitewater damage-control efforts.

Steiner wrote about "intense pressure" on Treasury officials from the White House and said Altman "gracefully ducked" tough questions.

Sen. Alfonse D'Amato, R-N.Y., scolded Steiner for concocting "feeble, lame-brained excuses" to explain his diary.

▶ Dispute over diary, 4A

Dysentery a 'more serious' refugee threat

From wire reports

Dysentery sweeping through Rwandan refugee camps, on the heels of a cholera epidemic, could kill as many as 45,000 people, the World Health Organization says.

Cholera killed up to 50,000 of the more than 1.7 million refugees in the Goma, Zaire, area, U.N. organizations estimate.

"The number of cases of cholera has dropped by 50% since a week ago," World Health's Michael Barton said Tuesday. "But it is rapidly being replaced by dysentery, which might be more serious because it is more difficult and complicated to treat."

Dysentery, like cholera, comes from contaminated water. It causes severe diarrhea and can kill within a week. Antibiotics are used in hopes of shortening the disease.

There was also good news:

▶ 40 countries were expected to pledge $434 million needed by the U.N. for the Rwandan emergency.

▶ The first U.S. Army trucks to arrive in Zaire delivered 100,000 gallons of water to refugees at the Kibumba camp.

Dear Diary, I Hope You Don't Get Subpoenaed

By THOMAS MALLON

Among the more interesting denials in the Whitewater affair is one from Reid Weingarten. He is the attorney for Joshua Steiner, the chief of staff to Treasury Secretary Lloyd Bentsen who testified yesterday before the Senate Banking Committee. Mr. Steiner's diary notes that Clinton advisers "told RA [Robert Altman] that it was unacceptable" for him to remove himself from the federal government's investigation of Whitewater—an awkwardly telltale entry that Mr. Weingarten explains by declaring: "It was never Josh's intention that the diary would be a complete and accurate recordation of historical events."

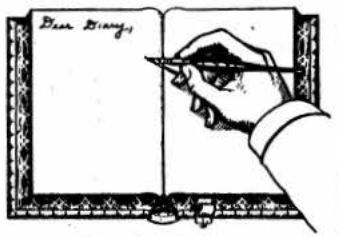
Mr. Weingarten's explanation may seem as curious as his diction, but that is only because of our relatively recent inclination to think of political diaries as forensic evidence. In the past two decades the term "private diary" has gone from being a redundancy to an oxymoron. Whenever a diary is now spied bobbing on the muck of scandal, a lunge is made for it.

It was, of course, the Nixon tapes, with their "smoking gun," that established the reflex. The tapes seemed like the ultimate diary, not so much a record of life as a replica of it, a mammoth auto-diary that served finally as an auto-da-fe. Since the 1970s, a politician's diary has been catnip to subpoenas. Some officeholders, like former Defense Secretary Richard Cheney, have refused to keep one; some, like Sen. Robert Packwood, may regret they did.

At yesterday's hearing, Mr. Steiner expressed the wish that his diary "was more accurate," but explained that the journal was "more than anything a way to reflect on events and draw lessons for my personal and professional experiences." Indeed, political diaries have never been notable for their accuracy. They are usually less full of facts than spin, with ample portions of anger, self-pity and puffed-up pride.

The recent best-selling, egoless "Haldeman Diaries" are extremely unusual in the absence of these things. Even in their printed (as opposed to CD-ROM) format, they come so close to uncommented-upon exactitude as to feel slightly cyber. "P" moves through them, unjudged, like the flashing cursor on a computer screen. Take this entry for Aug. 3, 1972: "The P had E [John Ehrlichman] in this morning to discuss the basic problem of domestic intelligence, the need for our moving on IRS and Justice to get some action on tax and other matters involving people supporting the opposition."

President Nixon's own diary—not the tapes, but the one he dictated—is far more typical, and exposing. Note his account of the same Aug. 3 meeting: "Haldeman said after the election we really could then take the steps to get loyalists in various positions that were sensitive. Of course, we should have long ago. Certainly we have been above reproach in this respect and have not used the enormous powers of the office—the Internal Revenue files, the Justice Department files. . . ." Here, with the accidental revelation of apologia, is the essential Nixon, reproaching himself for being above reproach. Mr. Haldeman gives you the facts, but Mr. Nixon, blind to it himself, provides the higher truth.



Perhaps the most useful political diaries—to the politician as well as posterity—are the ones in which the writer actually is, if only for a moment, onto himself. Mario Cuomo's journal of his 1982 campaign for the New York governorship, full of aggrieved piety and sentimental determination, sounds in most places like the answers he's doled out to interviewers a dozen times during the day now ending. Even an entry made at 4:30 a.m. on Oct. 22, 1982—in which Mr. Cuomo tries to overcome momentary discouragement by recalling how his immigrant father re-rooted a big spruce tree that had been knocked over by a storm ("we gonna push 'im up, he's gonna grow again")—sounds like the draft of a speech, missing only the Neil Diamond music to accompany it.

And yet, here and there are moments when writing the diary leaves Mr. Cuomo wiser for having faced a few facts: "Whether in tragedy or triumph, my psyche seems incapable of going all the way. There is a balance wheel that drives me back. . . ." If his decision not to run for president a decade later was personally a good one, he probably owes a debt to his diary-keeping for whatever self-knowledge went into making the choice.

British politicians still speak better on their feet than their American counterparts; they also write better sitting down. In recent decades, a number of absorbing parliamentary diaries have seen the published light of day. The latest of these to come along is Alan Clark's, due out in the U.S. next month under the title "Mrs. Thatcher's Minister."

The son of Baron Kenneth Clark ("Civilisation"), Alan Clark entered the government in 1983 as parliamentary undersecretary of state at the Department of Employment: "I just can't make up my mind if I want a job or not," he writes on June 5, before immediately coming clean with himself. "Fool, Clark, of course you do." But in the diary, he remains aware of the war between his political ambition and country-squire contentment: "I'm not a 'hungry fighter,' being too fond of my Baldwinesque leisure and hobbies."

It is this lack of single-mindedness—along with the uninterrupting ease of the diary—that allows him to make a hilariously candid account of all the busy-work, arse-licking and envy that go with being in service to a "shameless and brave" leader, "the Lady." Mr. Clark charts his own physical decline and restless libido, worrying about dismissal and staying on for all the wrong reasons: "I'd gladly chuck the whole thing . . . if it were not for the satisfaction this would give to others."

Like the greatest diarists, Mr. Clark has a self-fascination large enough to cherish even his most ridiculous moments: Outside his office, there "is a tiny *balcon*, a gutter really, with a very low parapet, below knee height. Certain death on the Victoria Street pavement eight floors below. Sometimes I get a wild urge to relieve my bladder over it, splattingly on the ant-like crowds. Would this get one the sack?"

He is a better man for having written such nonsense—and for being able to publish it at a moment of his own choosing. The self-deception that comes from being in a business requiring mass approval makes it important that the diary remain available to politicians, even functionaries like Mr. Steiner, as the one private place where they have an honest opportunity to shake hands with themselves.

Mr. Mallon, whose new novel is "Henry and Clara" (Ticknor & Fields), is the author of "A Book of One's Own: People and Their Diaries" (Penguin, 1986) and literary editor of GQ.

What's News—

* * *

Business and Finance

AMERICAN Home Products made a hostile $8.5 billion offer for American Cyanamid, seeking to scuttle a multibillion-dollar asset swap discussed by Cyanamid and SmithKline Beecham. The surprise proposal to pay $95 a share for Cyanamid represents nearly a 50% premium over its stock price. It comes amid a wave of mergers in the health-care industry. The combination would create a company with $12.5 billion in sales.

(Article on Page A3)

* * *

American General offered $2.6 billion for Unitrin last month but said it was rebuffed by the insurer and consumer lender. The bid, 27% over Unitrin's stock price yesterday, appears to have been revealed in an effort to get Unitrin to the negotiating table.

(Article on Page A3)

* * *

Viacom and Tele-Communications are close to a sweeping agreement that could result in the merger of some of their operations, the settlement of an antitrust suit and the sale of Viacom's Madison Square Garden unit to TCI's Liberty Media affiliate.

(Article on Page A3)

* * *

Ameritech is in talks with Bell Atlantic and Nynex about joining their planned cellular merger to create a national wireless service. Separately, BellSouth and Southwestern Bell have talked about combining their cellular businesses, but the discussions have been tabled for the time being.

(Article on Page A3)

* * *

A Senate committee stripped the "fast-track" request from a ratification plan for the world-trade pact. The move is a big setback for the White House, and although the administration will seek to revive the request, its chances are considered to be slim.

(Article on Page A2)

* * *

QVC's board will weigh a possible stock buyback and other moves to pressure Comcast and Liberty Media to raise their planned bid for QVC.

(Article on Page B2)

* * *

Wheat prices jumped in the wake of Canada's agreement to limit U.S. shipments. The pact averted a trade war but could raise some food prices.

(Article on Page C14)

* * *

Baxter International and Rhone-Poulenc Rorer tentatively negotiated a joint settlement of up to $160 million with people with hemophilia who contracted AIDS from the companies' blood-clotting medications.

(Article on Page B7)

* * *

Irish paper manufacturer Jefferson Smurfit agreed to acquire the paper and packaging division of France's Cie. de Saint-Gobain for $1.04 billion.

(Article on Page A7)

* * *

The House approved a $1.3 billion measure that would aid U.S. cargo ship operators and builders.

(Article on Page A2)

* * *

ICN Pharmaceuticals and its three publicly traded affiliates plan to combine into a single new company.

(Article on Page B8)

* * *

Sales of new single-family homes dropped 14.1% in June, more evidence that rising interest rates are slowing growth in the housing market.

(Article on Page A2)

* * *

Markets—

Stocks: Volume 294,725,630 shares. Dow Jones industrials 3796.22, off 1.95; transportation 1603.82, up 14.49; utilities 190.75, up 0.86.

Bonds: Lehman Brothers Treasury index 5196.46, off 1.04.

Commodities: Oil $20.14 a barrel, off 41 cents. Dow Jones futures index 154.68, up 0.06; spot index 145.73, up 0.46.

Dollar: 100.37 yen, up 0.94; 1.5833 marks, up 0.0033.

World-Wide

SENATE DEMOCRATS UNVEILED a health plan to cover 95% of Americans.

Majority Leader Mitchell proposed market reforms and subsidies that could add 27 million people to the insurance rolls over the next six years. The plan would seek to achieve its goal of 95% coverage by the year 2000. If it fell short, the proposal would set in motion a legislative process that could lead to a mandate calling for employers to pay 50% of workers' insurance in the year 2002. Mitchell's plan incorporates parts of prior bills but goes further in targeting funds to specific groups. (Article on Page A2)

Under the proposal, businesses that voluntarily extend health-care coverage to their workers would be eligible for assistance that could reduce employer costs to 50% of the premiums.

* * *

ALTMAN TOLD senators he hadn't meant to mislead them on an RTC probe.

The deputy Treasury secretary, fighting to protect his reputation and his job, apologized to the Senate Banking Committee for not being "as forthcoming as I should have been." Altman, who is under pressure from Republican senators to resign, defended his briefing of White House officials about the RTC's investigation of Madison Guaranty, the Arkansas thrift at the heart of the Whitewater affair. (Article on Page A12)

Earlier, the panel grilled Treasury aide Steiner about a diary in which he portrayed Altman as "ducking" a question during a prior hearing. Steiner said the diary wasn't a "precise narrative."

* * *

Advisers to the FDA concluded that cigarettes currently on the market are addictive, but said they didn't know what amount of nicotine causes addiction. FDA Commissioner Kessler is trying to determine whether nicotine should be regulated as a drug. (Article on Page B8)

* * *

Serbia threatened to sever ties and halt all aid to the Bosnian Serbs if they don't approve the latest international peace plan. The threat came in a harshly worded letter from Serbian leader Milosevic. Bosnia's Serbs said their self-declared parliament would meet today to discuss whether to schedule a referendum on the plan.

* * *

Dysentery threatens the lives of as many as 45,000 Rwandan refugees in Goma, Zaire, the World Health Organization said. A relief official said dysentery was overtaking cholera as the No. 1 killer in the refugee camps. Meanwhile, U.S. Army convoys delivered more than 100,000 gallons of water to refugees at one sprawling camp in Goma.

* * *

A U.S. commission is urging the establishment of a computerized national employment registry to deter illegal immigrants from getting jobs. The proposal has drawn fire from groups that believe the registry would lead to the creation of a database containing personal data available to every employer. (Article on Page A12)

* * *

Berlusconi defended his government's first 70 days during a televised address to Italy's lawmakers. While acknowledging recent political turbulence, the prime minister declared he "would govern for a long time." His fragile coalition is under siege on many fronts, leaving him little time to enact the reforms he promised. (Article on Page A6)

* * *

A Haitian opposition politician was shot and seriously wounded Monday night in Port-au-Prince. Former Sen. Reynald Georges, who has called for the resignation of military leader Raoul Cedras, was in stable condition with bullet wounds in his back and arm. His wife said soldiers and armed civilians opened fire on his truck.

The Pentagon said it will send helicopters, military scouts and technical specialists to the Dominican Republic this month to help halt the smuggling of fuel across its border into Haiti. Separately, Venezuela said it was trying to organize a Latin American delegation to personally ask Haiti's military regime to quit.

* * *

Antitrust guidelines have been revised for intellectual property, but the Justice Department's draft is unlikely to draw any ire from industry, contrary to earlier expectations. A draft of the guidelines, to be published in the Federal Register on Monday, indicates that the changes won't be dramatic. (Article on Page B8)

* * *

A Mexican businessman's family agreed to pay the ransom demanded by kidnappers who abducted him on April 25. The amount of the ransom wasn't disclosed. As a result, it appears that the captors soon will release Angel Losada Moreno, a supermarket chain executive. (Article on Page A7)

Altman Apologizes for Not Being 'Forthcoming' On Whitewater, Puts Some Blame on Hanson

By Ellen Joan Pollock
And Jackie Calmes
Staff Reporters of The Wall Street Journal

WASHINGTON—Deputy Treasury Secretary Roger Altman, fighting to protect his reputation and his job, apologized to the Senate Banking Committee for not being "as forthcoming as I should have been."

Mr. Altman, under pressure from Republican lawmakers to resign, pinned some of the blame on Treasury General Counsel Jean Hanson and stoutly defended his briefing of White House officials about the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan, the Arkansas thrift at the heart of the Whitewater affair.

Roger Altman

The hot topic at yesterday's hearings was whether Mr. Altman had told the truth when he testified about contacts between Treasury and White House officials Feb. 24. Questions about the veracity of Mr. Altman's prior testimony have become so central to these hearings that when he swore to tell the truth at the outset of his testimony yesterday, some audience members tittered.

Once the hearing began, both Democratic and Republican senators confronted Mr. Altman with discrepancies between his account of contacts between Treasury and White House officials and those of other witnesses. "In order to believe you, we have to disbelieve other people who have sworn under oath," said Sen. Robert Bennett (R., Utah). Sen. Phil Gramm (R., Texas) described Mr. Altman's account as "totally unbelieveable." Mr. Altman was unflappable and stuck to his version. "I did not lie to Congress," he said.

Mr. Altman even presented a videotape of the Feb. 24 hearing, showing himself conferring with Ms. Hanson, to prove that he had done his best to answer completely. The hearings at some points bogged down in hair-splitting, as Mr. Altman debated what constituted a "substantial contact," and whether he had "gracefully ducked" the senators' question at the earlier hearing, as Treasury aide Joshua Steiner suggested in his diary.

Hitting Back

Mr. Altman conceded that "I may have heard or understood questions in a way that was not intended by the senator asking questions" last February. But for the most part, he was on the offensive. He even challenged the senators to requestion White House aide Harold Ickes, who has testified that Mr. Altman told former White House Counsel Bernard Nussbaum and others that the RTC wouldn't be prepared to decide on whether to sue Madison by a statutory deadline. Mr. Altman suggested that Mr. Ickes would change his account.

Everything about Mr. Altman's appearance was orchestrated to give the appearance of confidence. Seated behind him, next to his wife, Jurate Kazickas, was B.A. Bentsen, the wife of Treasury Secretary Lloyd Bentsen, who is well-known to the senators who once served with her husband. And at the White House yesterday, a spokeswoman reiterated President Clinton's support for Mr. Altman and said he "hopes that he'll stay on."

Repeatedly, the senators went back to Mr. Altman's Feb. 24 testimony. Mr. Altman had said that he had one "substantive" contact, on Feb. 2, with White House officials, and that he only discussed statute-of-limitation issues. Sen. Gramm reminded Mr. Altman that when he was asked whether other meetings had taken place, he said no, excluding possible encounters in hallways. In fact, Mr. Altman, who was acting RTC chief at the time, had discussed the question of whether to recuse himself from Madison-related matters at the Feb. 2 meeting and again at a meeting with White House officials Feb. 3. He paged Ms. Hanson electronically to summon her to the second meeting.

"We now know that there were over 40 contacts that we have verified," Sen. Gramm admonished him. "We now know that you made four of those contacts you were involved in yourself. We now know that the sole subject matter was not the statute of limitation."

Hanson Role

Defending himself, Mr. Altman said he didn't think he was being asked about recusal at the Feb. 24 meeting. "Recusal had nothing to do whatsoever with the RTC investigation of Madison," he insisted.

Sen. Alfonse D'Amato (R., N.Y.) snapped, "To suggest recusal has nothing to do with Madison and Whitewater is a figment of someone's imagination."

Mr. Altman also defended himself by insisting he had relied on Ms. Hanson, who endured about seven bours of hostile questioning from the committee Monday, to help him prepare his testimony and refresh his recollection as he answered senators' questions Feb. 24. When asked how White House officials had found out about criminal referrals involving Madison, Mr. Altman said they hadn't learned about it from the RTC. In fact, Ms. Hanson had discussed the referrals with White House aides at two meetings the previous fall.

To prove his point that he'd counted on Ms. Hanson for help in answering, Mr. Altman said that after he was asked the question, "I turned to her and she confirmed my answer." He said that a videotape of his Feb. 24 testimony would prove his point. The tape showed Mr. Altman, after he said White House aides hadn't found out about the referrals from RTC officials, leaning back to confer with Ms. Hanson, who shook her head no. As the senators waited for the next video, one of them said into an open microphone, "He's going to try to lay it on her."

During the hearings, much has been made of Mr. Nussbaum's efforts to persuade Mr. Altman not to recuse himself from the Madison case. In his now infamous diary, Mr. Steiner said that although Treasury officials thought Mr. Altman should recuse himself, the White House staff told him that decision was "unacceptable." He marveled that at the Feb. 24 hearing, the subject of recusal "amazingly did not come up," and that Mr. Altman "gracefully ducked" the question about whether his staff has engaged in more one discussion with the White H

When Mr. Steiner testified yeste morning, he tried to distance h his diary, saying that it was "neve tended to be a precise narrative." Bu senators tried to hold him to it as complained that Mr. Altman hadn't forthright on Feb. 24. "Make a distinc between 'ducking' and lying," Sen. L Faircloth (R., N.C.) told Mr. Steiner.

Separately, the White House said t was a five-day delay between the time a Whitewater-related file was rem from Vincent Foster's office after his d in July 1993 and handed over to the tons' personal attorney.

Margaret Williams, the chief of staff Hillary Rodham Clinton, was handed file by Mr. Nussbaum and it was store the White House residence for five d until it was given to the lawyer. Williams, officials said, checked with Clinton before storing the documents locked closet.

Dee Dee Myers, the president's pr secretary, yesterday called the episode mistake," and said White House spok men weren't aware of the delay when t told reporters that the documents w taken from Mr. Foster's office and give the lawyer.

Lloyd N. Cutler

A 'Heads-Up' History

From Truman and Eisenhower to Watergate and Whitewater.

In last week's House Banking Committee hearings on Whitewater, I testified that it was both customary and ethical for government agencies with law enforcement responsibilities to inform the White House whenever a criminal investigation is launched that involves high administration officials or the president himself. Others have challenged that conclusion.

As to the proposition that such a "heads-up" is customary, I cannot think of a case in which such an investigation was started without informing the president. President Truman was informed when various of his aides came under inquiry; so were Presidents Eisenhower, Kennedy and Johnson. And as the Haldeman diaries show, President Nixon was informed on a day-to-day basis as to the status of the FBI investigation of the Watergate break-in and how close it was getting to the White House itself.

What was wrong in the Watergate case was not the initial heads-up but the way Nixon improperly sought to follow the progress and influence the outcome of the inquiry. As a vow of "never again," the independent counsel law was enacted in 1977. Before it passed, Attorney General Griffin Bell began an investigation of whether the Carter family's peanut warehouse funds had been illegally diverted to his election campaign. Because of President Nixon's bad example, Judge Bell appointed his own independent counsel to pursue the inquiry. However, he informed the president of the investigation before the independent counsel was appointed. And when Judge Bell learned that President Carter was planning to make a trip abroad with a congressman the department was about to indict, Judge Bell set up a "sensitive case" file so that the president could receive a heads-up whenever a high official was involved.

Attorney General Benjamin Civiletti continued this practice after the independent counsel law was adopted. When he petitioned for the appointment of an independent counsel to look into what turned out to be baseless allegations of cocaine-sniffing against President Carter's chief of staff, Hamilton Jordan, Civiletti informed the White House counsel shortly before the petition was filed. And when the Department of Justice began investigating whether Billy Carter had violated the Foreign Agents Registration Act, the attorney general informed the White House counsel of this fact.

When Attorney General Edwin Meese was conducting his initial inquiry into the Iran-contra affair and learned that Lt. Col. Oliver North claimed to be acting with the authority of the president, Meese informed President Reagan and White House Chief of Staff Donald Regan well before Meese petitioned for the appointment of a statutory independent counsel. And according to White House Counsel Boyden Gray, he usually received a heads-up when a high official of President Bush's administration came under criminal investigation. This longstanding practice has continued under President Clinton.

Of course, such a heads-up should be carefully treated and closely held. Obviously, the receipt of a heads-up does not entitle a president to seek to influence the outcome of an investigation or to ask for further details to be passed on to relatives or high officials who are the subjects of the inquiry. The independent counsel law was enacted to prevent this from happening, and it was reenacted before its five-year "sunset" date in 1982 and 1987.

UNITED PRESS INTERNATIONAL

(Republican opposition blocked the 1992 renewal, and we were without an independent counsel law until President Clinton finally obtained its reenactment last June, again over strong Republican opposition.) As Richard Nixon learned, presidents pay a heavy political price for trying to influence the outcome of a criminal investigation involving themselves or other high administration officials, and they are most unlikely to repeat this mistake.

But the giving and receiving of a heads-up, without any subsequent effort to influence the outcome, is an entirely different proposition. Usually when a high official is involved, and certainly when the president or a member of his family is involved, leaks are inevitable at a very early stage of the investigation. As its own officials have testified, the RTC has been particularly notorious for leaking news about its numerous criminal referrals. The president and his staff need to know enough not to be taken by surprise and to prepare comments and responses the moment a potentially scandalous news leak occurs.

The president is the heart and brain of the executive branch. Like a hospital patient undergoing tests, he is monitored by a host of journalists who watch his every move and bombard him with questions. An unanswered question can be a story in itself, especially when it contains a hint of possible scandal. Presidents simply cannot afford to be uninformed or taken off guard.

There is a natural concern that a heads-up to the president can make it possible for him to tilt the machine. But apart from the safeguards of the independent counsel law and the force of public opinion, there are really no other legally and politically practical solutions under our constitutional plan. It grants the president alone *all* of the executive power, including the power to investigate and enforce violations of the criminal laws. He appoints all the senior officers with law enforcement responsibility, including the attorney general and the chief executive of the RTC, and they serve at his pleasure. Whatever they may do, they do in the exercise of his executive power, not the legislative power of Congress or the judicial power of the courts.

Of course he must not be allowed to interfere in the use of that power against his close colleagues or himself. But he is at least entitled to know enough to respond to scandalous press leaks when they occur. To respond effectively is one of his official duties. For other government officers to inform him of what he needs to know to respond effectively is part of their official duties. As Judge Bell has said, it is not their job to sandbag the president.

A heads-up in these circumstances is both ethical and proper. This was the conclusion reached in the report of the bipartisan subcommittee of the Senate Judiciary Committee that investigated the Billy Carter-Libya case. In the subcommittee's view, "it would not have been improper for the Attorney General to advise the President of significant information received by the Department of Justice about Billy Carter's activities promptly upon the receipt and analysis of that information. . . . [T]he President should receive significant information relevant to the exercise of his constitutional responsibilities with respect to . . . law enforcement even if that information pertains to a member of his family."

In the case of the Treasury-to-White House heads-up about the Madison Guaranty criminal referrals, all the evidence shows the White House did not use it in any way to interfere with the RTC referrals or the ensuing Department of Justice investigation. The RTC's career officers have testified that no one exerted any pressure on them. The criminal referrals were made; an independent counsel was appointed to investigate them; the statute of limitations applicable to RTC civil claims was extended; the president's political critic Jay Stephens was retained to handle possible civil claims, and he is still on the job. And based on the evidence furnished to it by the Treasury Inspector General, the nonpartisan Office of Government Ethics, still headed by an appointee of President Bush, has now formally ruled that when the Treasury gave a heads-up to the White House about Madison Guaranty, no ethical standard was violated.

The writer is special counsel to President Clinton and also served as counsel to President Carter.

A Probing Contrast of Style and Substance

Tough Talk at Whitewater Hearings Isn't Always Directed at Witnesses

By Sharon LaFraniere
and Howard Schneider
Washington Post Staff Writers

To gauge the difference in substance and style between the House and Senate banking committees' Whitewater hearings, think Keystone Cops and think Untouchables. One is all fury but no results, the other is polite but effective.

During three grueling days of testimony, the Senate panel, under Chairman Donald W. Riegle Jr. (D-Mich.), pried deeply into the Clinton administration's behavior, challenging witnesses with bipartisan verve.

The House panel, by contrast, operated with the decorum of a teacherless grade school. After two days of verbal spitballs, groupthink and partisanship, only one question was left: Would the bell ever ring?

"This was a committee that didn't make anyone feel good about their Congress," Stephen Hess, a senior fellow at the Brookings Institution, said of the House panel. "These hearings weren't about truth."

The House took a break on Friday but resumes its hearings today. The Senate will plod on as well. House aides predict little change in demeanor from last week.

The Senate Banking Committee has gained steam since hearings opened Friday—probably because there is a personal score to settle over whether Deputy Treasury Secretary Roger C. Altman misled senators when he testified in February about White House-Treasury contacts on the probe of Madison Guaranty Savings & Loan.

Riegle's panel got off to a slow start traveling well-trod ground—the death of White House aide Vince Foster. Not surprisingly, few new facts were uncovered and the hearing occasionally veered toward the ghoulish.

But on Monday the Senate panel hit its stride, and dissected Treasury general counsel Jean E. Hanson for seven hours on why she felt it proper to tell then-White House counsel Bernard Nussbaum about the criminal probe, which touched on the Clintons.

Riegle has spared the gavel, allowing senators multiple opportunities to ask questions. "I don't want to cut you off. I don't want to do that to anyone," Riegle said to one senator.

As a result, the scene in the Senate has been far tougher on the administration than what occurred in the House.

"It's hard to take at face value what you're saying," Sen. John F. Kerry (D-Mass.) snapped at Hanson near the end of Monday's marathon session.

Hard language like that has been virtually unheard among House Democrats.

Counting on polls that indicate half the public thinks Whitewater is unimportant, House Democrats have contented themselves with friendly questions. A query that has become something of a refrain: "Did you do anything illegal or unethical?"

Chairman Henry B. Gonzalez (D-Tex.), tough as nails with the Bush administration, has run the hearings in a way that makes sustained inquiry nearly impossible, cutting off questions abruptly after each member's allotted five minutes.

Rep. Richard H. Baker (R-La.) reeled off one 236-word question so fast that senior White House adviser Thomas F. "Mack" McLarty marveled: "The congressman talks as fast as anyone I've ever met from Louisiana."

Instead of asking witnesses to elaborate, the Republicans ask them to limit their comments to conserve time.

Rep. Barney Frank (D-Mass.) has played the class clown, using humor to ridicule the allegations that spurred the hearings. Meanwhile, ranking minority member Jim Leach (R-Iowa) has rambled on abstractly about medieval astronomers while vainly trying to loosen Gonzalez's grip.

In the House, the most memorable moments have come not when members went after witnesses, but when they went after each other. Rep. Spencer Bachus (R-Ala.) insulted Rep. Joseph P. Kennedy II (D-Mass.), saying: "He's always having tantrums."

But Rep. Peter T. King (R-N.Y.) and Rep. Maxine Waters (D-Calif.) topped that exchange.

Waters, who favored friendly questions like, "Would you say you're a hard worker?" became upset when King challenged the testimony of Margaret A. Williams, Hillary Rodham Clinton's chief of staff.

Waters: "You are out of order."

King: "You are always out of order."

Waters: "You are out of order. Shut up."

King: "What was that? What was that last remark?"

Waters: "You heard me . . ."

Omission Triggered White House Damage Control

By Ruth Marcus and Susan Schmidt A1
Washington Post Staff Writer

From the moment Deputy Treasury Secretary Roger C. Altman finished testifying before the Senate Banking, Housing and Urban Affairs Committee in February, White House officials knew they had a problem on their hands.

Altman's statements about White House-Treasury discussions on the Whitewater case—he testified there had been one meeting when they knew there had been more—triggered a flurry of hurried sessions at the White House. Beginning that afternoon and continuing over the next several days, senior officials—many of whom had participated in the very meetings Altman had failed to mention to the Senate—scrambled to determine what to do about his testimony.

The concern was so great that deputy chief of staff Harold Ickes told Chief of Staff Thomas F. "Mack" McLarty about the difficulties with Altman's testimony the next day. Associate counsel Neil Eggleston, one of two White House lawyers who had attended the Senate hearing, called White House counsel Bernard Nussbaum on vacation in Mexico to alert him to the problem.

But the White House did nothing to correct the record for a week after the testimony—when the fact that there had been more meetings between the White House and Treasury than the single contact Altman had revealed began to leak to reporters.

Even then, the White House sat by as Altman took three more weeks to inform the Senate Banking, Housing and Urban Affairs Committee that he had also given them an incomplete account of the one meeting he did disclose—an omission that White House lawyers had flagged from the start as a serious problem.

That detailed picture of the inner workings of the Clinton White House in crisis mode comes from sources familiar with interviews congressional committees have had with top White House officials. Their account is the first indication that the White House concluded at the time Altman first testified that a key official had been, at the very least, less than fully candid with Congress.

MEETINGS, From A1

When Altman testified Feb. 24, Whitewater—and Madison Guaranty Savings & Loan, the failed Arkansas thrift owned by President and Hillary Rodham Clinton's partner in the Whitewater development venture—were matters of white-hot controversy. Bowing to intense pressure, the Clintons had sought appointment of a special counsel a month earlier.

Republicans were clamoring that the Rose Law Firm, where Hillary Clinton had been a partner, never should have been hired to do legal work for the government's investigation of Madison, a former Rose client—and that a government report clearing Rose lawyers of conflicts of interests was a whitewash and cover-up.

In that tense atmosphere, White House officials were nervous about the hearing even before Altman testified. Although he was appearing before a run-of-the-mill oversight hearing about the Resolution Trust Corp., the kind of matter that normally would be far off the White House radar screen, White House officials were intensely involved in the preparations.

McLarty and congressional liaison Pat Griffin directed staff secretary John Podesta to oversee the preparations; the plan was to ensure that Madison would not be the sole focus.

Podesta, Eggleston, and Treasury's congressional liaison, Michael B. Levy, met to review the expected questions for Altman, who was serving as the acting head of the RTC. Podesta called Treasury chief of staff Joshua L. Steiner to tell him that Altman should be prepared for a question about his contacts with the White House. Eggleston also called Treasury general counsel Jean E. Hanson to underscore the likelihood that Altman would be questioned.

Despite those advance warnings, Altman's testimony was, as he acknowledged yesterday, "perhaps incomplete." He told the Senate Banking Committee that he knew of just one "substantive" contact with the White House about the RTC investigation of Madison.

But in describing the Feb. 2 meeting at which he gave the White House a summary of the procedures for handling the case, Altman had failed to say that the meeting also involved a heated discussion of whether he should recuse himself from overseeing the Madison case. He also neglected to mention two other White House meetings, and numerous telephone calls and hallway conversations relating to Madison.

Asked specifically about whether there had been a discussion of the RTC's criminal referrals on Madison, Altman did not disclose the Sept. 29 "heads-up" provided by Hanson—a meeting that Hanson says Altman directed her to have but that Altman insists he did not know about at the time of his testimony.

The damage control started that afternoon. Deputy White House counsel Joel Klein, who had attended the hearing, told another lawyer in the office, Clifford Sloan, that he was worried that Altman had not informed the committee about the recusal discussion. Eggleston had a similar concern. Sloan, speaking again to Klein the next day, when the one meeting that Altman had revealed was front-page news, said he was worried that two other meetings had been left out.

The matter was left over the weekend. On Monday, Tuesday and Wednesday of the following week, White House lawyers, joined by Podesta and another senior aide, Bruce Lindsey, discussed what to do. During one of the meetings, Podesta was summoned from the room. When he returned, he delivered the news: a newspaper reporter was inquiring about one of the additional meetings.

On Wednesday, March 2, a week after his testimony and with a newspaper story about to appear the following morning, Altman sent the first of what eventually would be four letters to the Senate Banking Committee informing them of the two additional hearings. On March 3, The Washington Post reported on the two undisclosed meetings.

Grand jury subpoenas to the senior hierarchy of the Treasury Department and the White House followed the next day—an event that White House officials say paralyzed their ability to take further steps to correct the record.

Asked in his testimony last week about the White House response to Altman's testimony, Podesta said, "I think that the circumstances showed that we acted in a prompt manner. . . . I disagree that there was a time lag."

A[illegible]a: No[illegible]e To Mislead Congress

Treasury Aide Faces Skeptical Senate Panel

By Sharon LaFraniere and Howard Schneider
Washington Post Staff Writers

Deputy Treasury Secretary Roger C. Altman told a highly skeptical Senate banking committee yesterday that he never intended to mislead Congress in February about what he and others told the White House about a sensitive inquiry that touched on the Clintons.

While his dogged defense helped him retain some support on the panel, a number of senators said they were not convinced he had been truthful. Try as they might, they said, they could not reconcile what Altman told them in February with what they now know about the Treasury Department's discussions with the White House about the case.

Republicans and Democrats contrasted Altman's February account with his own diary, the diary of his former top aide and the sworn statements of several other government officials. "In order to believe you, we must disbelieve someone else under oath," said Sen. Robert F. Bennett (R-Utah).

Some senators said they could forgive Altman's failure, despite his friendship with President Clinton, to recuse himself promptly from the inquiry. Altman repeatedly characterized that yesterday as a mistake.

But in his February testimony, the senators suggested, Altman sacrificed honest answers to protect the White House from more controversy over the Whitewater affair. "I can't help conclude that your every statement to the committee is to evade, not to inform," said Sen. Connie Mack (R-Fla.).

Altman told the committee in February that save for one discussion, the Treasury officials kept the White House at arm's length about the status of the inquiry into Madison Guaranty Savings & Loan, owned by the Clintons' business partner in the Whitewater real estate venture in Arkansas. The inquiry was being conducted by the Resolution Trust Corp., then under Altman's stewardship.

WHITEWATER, From A1

In fact, White House and Treasury aides, including Altman, had a series of discussions about the Madison case. Senators from both sides challenged Altman's explanation that he did not tell them of the other contacts either because he didn't know of them or didn't think the committee's questions covered them.

Sen. Paul S. Sarbanes (D-Md.) outlined seven instances in which other administration officials contradict Altman's descriptions of White House-Treasury discussions. "Is there some conspiracy at work here, on the part of a lot of other people, to contradict your words?" asked a dubious Sarbanes, after Altman had sat before the microphone for more than six hours.

In months of disclosures about Whitewater, Altman—a 48-year-old former investment banker who is well-liked at the White House—has become a lightning rod for criticism. Much of the testimony before the Senate and House banking committees in the past week has led up to Altman, and whether he misled Congress and improperly apprised the White House of developments in the Madison case.

Altman acknowledged yesterday that his February testimony was incomplete. He also said he should not have gone to the White House in person to brief aides on the legal deadline for an RTC civil suit against Madison but should have sent them the information in writing.

"I did mess this up," he said.

Altman, who testified from 4 p.m. until 2 a.m., vowed to stay at the microphone "until hell freezes over" to satisfy the committee's concerns. He tried to blunt the prosecutorial tone of some senators by reminding them that he had known them for a long time. When one senator demanded he identify his lawyers sitting behind him in the cavernous hearing room, Altman named his family as well.

He ran into difficulty when he tried to explain why he did not tell the committee in February that he had discussed with the White House whether to recuse himself from the Madison Guaranty case. Sen. Alfonse M. D'Amato (R-N.Y.) said it was "at the least, disingenuous" for Altman to try to justify his omission now by saying the recusal issue had nothing to do with the substance of the Madison probe.

Some committee members said that Altman's failure to tell of the recusal discussion only highlighted a disturbing pattern. They compared Altman's version of White House-Treasury discussions with accounts given by four others: Jean E. Hanson, the Treasury's general counsel; William Roelle, a former RTC vice president; Joshua L. Steiner, chief of staff at Treasury and Altman's former aide; and Harold Ickes, deputy White House chief of staff.

Though Hanson has insisted that Altman instructed her to talk to the White House on Sept. 29 about the Madison case, Altman told the committee yesterday that he does not believe he did so. In fact, Altman testified, he did not learn until months later about the September briefing. Hanson disclosed at that meeting that the RTC had prepared nine criminal referrals on Madison and had named the Clintons as possible witnesses.

Altman blamed Hanson in part for his February testimony, saying she sat behind him knowing about meetings of which he was unaware, but made no attempt to correct him.

Senators pointed out that Roelle also recalled telling Altman about an initial RTC criminal referral on Madison [illegible] Altman insisted that fall was the first time I had heard of the referrals, not back in March."

A diary kept by Steiner provided more grist for the committee. Altman disputed some entries, while Steiner, who testified earlier, appeared to back away from some of his own vivid descriptions.

Steiner, 28, seemed slightly abashed by some of his writings. At the senators' request, he read passages aloud while staff members displayed them as blackboard-sized excerpts for the television cameras.

Steiner said plaintively at one point: "Over the past five months, I've had to live with this document." He said he has testified five times under oath about it, even though he never intended it "to be a precise narrative or a verbatim account of what took place."

The diary entries describe how then-White House counsel Bernard Nussbaum urged Altman not to recuse himself and note White House protests over the RTC's choice of a Republican lawyer as its outside counsel to pursue possible civil claims against Madison. Without completely disavowing his own words, Steiner told the panel that his diary was meant only to record impressions and distill lessons from the events of the day. "At times it included impressions of meetings that I did not even attend," he said.

Still Committee Chairman Donald W. Riegle Jr. (D-Mich.) said the diary demonstrated "significant" White House pressure on Altman not to recuse himself from the Madison case. Sen. John F. Kerry (D-Mass.) told Steiner he found the diary "very refreshing ... almost innocent" and said he was somewhat troubled "that you now want to distance yourself [from it] to a certain degree."

When Steiner told Sen. Richard C. Shelby (D-Ala.), "I can't remember why I wrote what I did," Shelby pounced on him. "You have a convenient memory here today, but these diaries speak for themselves," the senator said.

Steiner's toughest moments came when he tried to defend an entry in his diary about Altman's February testimony. Although Steiner insisted yesterday that Altman had been truthful, he wrote in his diary that Altman "gracefully ducked" a question about how many discussions were held with the White House about the Madison case.

"You tell me the difference between ducking and lying," demanded Sen. Lauch Faircloth (R-N.C.).

With both Altman and Steiner, the senators were exacting in their questioning. Sarbanes, for example, asked if Steiner had any conversations about the disagreement between Altman and Hanson over who initiated the Sept. 29 White House briefing.

"I don't believe I've had any specific conversations," Steiner said.

"Strike the word 'specific,' " Sarbanes said.

"I can't recall any conversations directly—" Steiner continued.

"Strike the word 'directly,' " Sarbanes said.

"Senator," Steiner said, trying once more, "I have heard conversations where Mr. Altman has commented that his recollection is different from Ms. Hanson's."

Staff writer Susan Schmidt contributed to this report.

WEDNESDAY, AUGUST 3, 1994 THE WASHINGTON POST
FINAL

Clinton Picks Pinch Hitter

By Al Kamen
Washington Post Staff Writer

Looks like the Clinton administration is having a tough time finding a new AIDS policy director to replace outgoing **Kristine M. Gebbie**, who resigned under fire last month.

President Clinton yesterday named **Patricia S. Fleming**, a special assistant to Health and Human Services Secretary **Donna E. Shalala**, to be temporary AIDS policy coordinator while the search continues.

Fleming says she is going back to her job at HHS once a permanent replacement for Gebbie is named in the next two months. Even so, she is expected to wield a wide broom and rework Gebbie's staffing arrangements.

Fleming is said to be highly regarded and bright, which could be why she refused to take the job on a full-time basis.

Several names for the job have been floating around for a while, including **Helene Gale**, now with the Centers for Disease Control and Prevention in **Atlanta**, **Sandy Thurman**, now with the Carter Center in Atlanta, and **Phill Wilson**, deputy director of AIDS Project Los Angeles.

Sources say there is no front-runner yet and the field is expected to widen. AIDS activists are waiting for Clinton to put in a heavy hitter who will be able to focus attention and money on the situation.

Lessons of Whitewater to Be Offered at ESL

■ Every scandal produces its own vernacular and Whitewater is no exception.

Treasury general counsel **Jean E. Hanson** on Monday explained a conversation with former White House counsel **Bernard Nussbaum** as a "stayback from the Waco prebrief."

Roughly translated into English, Hanson meant that her discussion with Nussbaum was not a scheduled meeting on Whitewater. Rather, she pulled Nussbaum aside as everyone was leaving a meeting about the Treasury Department's report on the Waco shootout.

Hanson's not alone.

Sen. **Alfonse M. D'Amato** (R-N.Y.) also broke new linguistic ground. D'Amato may even be the winner of the **Yogi Berra** Award of the Week. He said of one witness's testimony: "I find that incredulous."

Meanwhile, real pols know what matters. At the end of the seemingly testy "shut up" standoff during the House Whitewater hearings between Rep. **Maxine Waters** (D-Calif.) and Rep. **Peter T. King** (R-N.Y.), sources say King looked over at the witness table with a knowing glance and opined: "Good television."

The Lost Letters of Jesse Helms

■ Seems other people besides the Postal Service are losing mail these days.

Sen. Jesse Helms (R-N.C.) wrote a letter July 23 to **Robert McGlotten**, head of the legislative department at the AFL-CIO.

"Let me say that I am embarrassed that this response to your letter has been so long delayed," Helms said. "I wish to apologize sincerely for the fact that I am only now replying to your letter of last year."

"The truth of the matter is, I have learned recently that a portion of my incoming mail was misplaced," Helms wrote. "Of course, that is no excuse for this terrible oversight. Please be assured that I have handled the matter appropriately and that I will not tolerate such an incident in the future.

"Unfortunately, I do not have the resources to answer properly all of the recently uncovered letters," he explained.

". . . I hope that this matter will not discourage you from writing to me in the future," Helms said.

Asked precisely when he wrote his original letter to Helms, McGlotten says he doesn't remember any more.

Thanks to State, Talk Is Cheap in Chisinau

■ Now for some good news about your tax dollars. **James Vanderpool** is a communications officer in the U.S. Embassy in beautiful downtown Chisinau, Moldova.

Vanderpool runs the telephones and telex in the embassy, which had relied on expensive satellite links for all calls.

Vanderpool weaned the diplomats from that by working with the Moldovan phone system and using it to handle non-classified communications. As a result, the embassy's phone bill fell from $20,000 to $2,000 a month. State reports a savings of over $400,000 in the last year or so.

Lure of the Lone Star State

■ One of the Clinton campaign originals, **Jeff Eller**, now deputy assistant to the president and director of media affairs, is seeking greener pastures. Eller, who started working for Clinton back in December 1991, is leaving the White House next month to be a name parter in a media consulting firm in Austin, Tex.

On the other hand, Sen. **Kay Bailey Hutchison** (R-Tex.) press secretary **David Beckwith** may be going off to Texas to run her reelection campaign press operation, but he's returning to Washington after that and NOT, as reported here, setting up shop in Texas.

"I will return," Beckwith vows.

It's Official

■ Clinton yesterday named six members of the National Science Board (National Science Foundation). They are: Corning Inc. executive **Eve L. Menger** of New York; anthropology professor **Claudia Mitchell-Kernan** of California; **Diana S. Natalicio**, president of the University of Texas at El Paso; Nobel Prize laureate MIT economist **Robert M. Solow**; Warren M. Washington, director of the climate and global dynamics division at the National Center for Atmospheric Research in Boulder, Colo.; and John A. White, dean of the College of Engineering at the Georgia Institute of Technology.

THE NEW YORK TIMES, WEDNESDAY, AUGUST 3, 1994

Bentsen Aide's Lessons, Penned in Diaries, Emerge Painfully in Public

By MAUREEN DOWD
Special to The New York Times

WASHINGTON, Aug. 2 — At the end of his diary entries, Joshua L. Steiner would sometimes draw morals for himself, similar to the ones the birds and foxes and grasshoppers learned at the end of Aesop's fables.

Testifying today before the Senate panel looking into Treasury Department contacts with the White House on the Whitewater matter, Mr. Steiner, the 28-year-old chief of staff for Treasury Secretary Lloyd Bentsen, was asked to read aloud the "lessons" that capped one of his February diary entries.

It was a remarkable moment, rich with the cultural tension of the old and the new, the young and the old, on a day when the numbing Whitewater hearings came vividly to life. Mr. Steiner, who had shot to the top of the Clinton Administration's Generation X meritocracy, now found himself in the excruciating position of holding a "smoking" diary, pointed in the direction of his boss, Deputy Treasury Secretary Roger C. Altman, and the White House.

"Lessons," he said, reading his own words back to the Senators, the discomfort evident in his dark eyes. "Do what you think is the right thing early (recuse); remember that everything might eventually be asked under oath; don't let the WH get involved in any way."

If Mr. Steiner had lived through a bit more Washington history, he would have known that doing the right thing early and keeping the White House from getting involved are aims that have often been at cross-purposes in the capital.

Advice for 'Josh'

He looked so impossibly young, earnest and nervous, sitting before his microphone at the green felt-covered Senate witness table, that some Senators addressed him simply as "Joshua" or "Josh." A couple more lawmakers offered him fatherly, and motherly, advice to spend some time, drinking a six-pack perhaps, with some of the respected, gray-haired veterans around town who might be able to teach him enough about politics to salvage his scalded career.

A 'smoking' diary is an occasion of acute embarrassment for everyone.

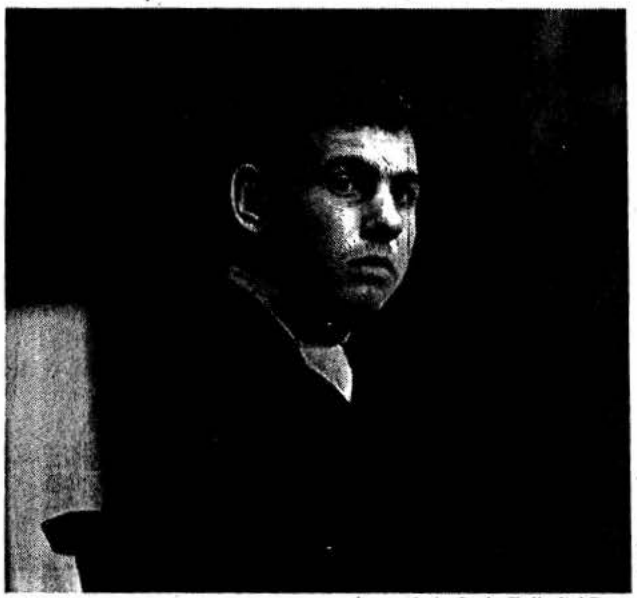
Most of the Democrats and Republicans alike seemed dismayed as Mr. Steiner tried to explain that his diary was not meant to be realistic, but impressionistic, a Monet, not a Manet. It seemed disingenuous to several Senators, even a metaphor for what's wrong with the Clinton team. This was, after all, the freshly scrubbed, intelligent face of the Clinton Administration, a Yale graduate, a Rhodes Scholar, a former writer at Teenage magazine and a charter member of the Stephanopouli, the friends and acolytes of Clinton adviser George Stephanopoulos, whose contacts have helped them rise to the top ranks of Government.

Gray-haired veterans might have warned Mr. Steiner that there are certain immutable rules for those who would succeed in Washington. One is: Don't write anything down, but save everything that anyone else writes down. Another is: Don't do anything in private that you would be displeased to see on the front page of the newspaper.

Senator Christopher J. Dodd took note of this when he suggested that Mr. Steiner seek some guidance from Jack DeVore, the longtime aide to Lloyd Bentsen in the Senate and at Treasury, who sat at the same witness table today. "Mr. Steiner, I suggest you spend an evening drinking a six-pack with Mr. Devore," Mr. Dodd said. "You could learn a lot about how things get handled in this town."

Sympathy From an Expert

Mr. Devore, who retired last year after serving as Assistant Secretary of the Treasury for Public Affairs, looked down the table sympathetically as his former colleague made a tortuous attempt to back away from his own diary entries to protect his bosses and his job.



Stephen Crowley/The New York Times

Joshua Steiner, the Treasury chief of staff, testifying before the Senate Banking Committee yesterday about Whitewater.

Mr. Steiner's friends said later that he had felt horrible, humiliated. As he said in his own diary, "Every now and again, you watch a disaster unfold and seem powerless to stop it."

Six months ago, he was just another anonymous, hard-working, smart, ordering-pizza-at-midnight Clinton kid on the rise. Now he was under oath, on national television, as all of his colleagues at the Treasury Department, a few miles away, were glued to their sets, watching him try to explain that he had not intended his entries about Mr. Altman, Mr. Stephanopoulos and President Clinton to be completely accurate.

Now he had to try to publicly finesse away private musings that suggested that Mr. Altman had decided not to recuse himself from the Whitewater investigation because he was "under intense pressure from the White House," that his boss had "gracefully ducked" Senate questions about possibly improper contacts between the Treasury and White House, and that the President, or "BC," had been "furious" when he learned that Mr. Altman had decided at last to recuse himself.

"I get a knot in my stomach just watching him, poor guy," said one old friend from Oxford who is also now in Washington. "He's only 28 and suddenly he's caught before these nasty, tough old men."

Watching Mr. Steiner's squirming performance from the outside, the graybeards were "bumfuzzled," as one of them, John White, likes to put it, that both Mr. Steiner and Mr. Altman had kept such damaging diaries.

"Don't write anything down, except what the law requires," said Mr. White, a former Democratic Party chairman from Texas who is now a lobbyist. "People keep doing it because they feel like they are in a moment of history. It's like pinching yourself. And some begin to think, 'I need to write a book about my life.' "

Lyn Nofziger, a Reagan aide who has seen a lot of Washington barbed wire, said Mr. Steiner was in a tough fix. "If you could deny what you wrote, it'd be called a 'liary,' not a diary," he said.

Mr. Steiner, who worked as the executive assistant to the Rev. Timothy Healy at the New York Public Library (on Mr. Stephanopoulos's recommendation) before coming to Washington, made several stabs at distancing himself from his diary. "It was never intended to be a precise narrative or a verbatim account of what took place," Mr. Steiner said in his opening statement.

Sticking to the Text

But several Senators tried to explain to him that they thought his contemporaneous accounts were more valuable than his current revisionist recollections.

"There's no way that you can undo what you have written because it speaks so much more clearly in pure terms that clearly you felt than anything you could any say today," said Senator Phil Gramm, Republican of Texas. "The people who taught you how to write all those years at all those great schools were simply better teachers than the people who taught you politics."

Senator Lauch Faircloth, a Republican from North Carlina, spoke sharply to Mr. Steiner about his diary entry reporting exultantly that Mr. Altman had "gracefully ducked" a question about questionable Treasury and White House contacts.

Senator Alfonse M. D'Amato of New York accused the young man of "obfuscating" when he said he was no longer sure that Mr. Altman had come "under intense pressure from the White House" not to recuse himself, as Mr. Steiner had written in the diary.

"Words have meaning, Mr. Steiner," he said. "It is distressful to see a young, bright, intelligent man who wrote this diary and then comes around and concocts some feeble, lame-brained excuses to try to explain it away like it didn't count and it didn't matter. You don't do yourself justice."

Although the Democrats on the Senate panel have seemed much more interested in securing facts than in helping the White House avoid tough questions, as the Democrats on the House side tried to do, Senator Barbara Boxer of California did her best to throw a protective arm around Mr. Steiner.

Telling him about her own two children, "one in politics, one in the movie business," she said she understood how young people might overdramatize their experiences for a diary. "When I look at you, I see the exuberance of youth, the exaggeration of youth and the loveliness of youth, along with some of the problems of youth, and I think you, of all people here on this panel, should talk to the guys with the gray beards and the gray hairs, as Senator Dodd said," she said, adding that since Senator Dodd had gray hair, "you could talk to him, too."

But she ended on a note of encouragement: "Just because you're young doesn't mean your opinion doesn't mean something."

Senator Pete V. Domenici, Republican of New Mexico, told Mr. Steiner that Senator Boxer had run into him in an elevator on the way to the hearing — "where I couldn't get out" — and had put her arms around his shoulders to remind him to be gentle with Mr. Steiner. He said she had told him: "You have a whole bunch of young children that are just like that guy."

Mr. Steiner was asked by Senator Paul S. Sarbanes, Democrat of Maryland, if he was still keeping a diary.

"No, I am not, sir," he said, offering a rare smile that seemed to say: "Here endeth the lesson."

PAGE 4A Reuter
DISTANT REPLAY: Deputy Treasury Secretary Roger Altman on Tuesday watches a videotape of himself giving testimony before the same committee on Feb. 24.
Treasury official apologizes,
says he didn't intend to mislead
By DAVID HESS
Herald Washington Bureau

WASHINGTON Deputy Treasury Secretary Roger Altman battled Tuesday to preserve his job and his reputation, insisting he was not aware of early alerts to the White House about a Whitewater investigation and had not lied to Congress about it.

In testimony before the Senate Banking Committee, Altman contradicted Whitewater testimony offered the day before by his department counsel.

That contradiction and other flaws in his earlier testimony to Congress were used by Republicans on the committee to harshly criticize the senior Clinton aide in a grilling that lasted into the night.

Some Republicans have called for Altman's resignation and they were clearly attempting to make a case for it late Tuesday.

Sen. Phil Gramm, R-Texas, said that on at least three occasions Altman's testimony Tuesday conflicted with that in three sworn statements to the committee by other administration officials.

The senator charged that Altman's testimony was ``totally unbelievable.''

Altman replied, ``I did not lie to Congress'' and blamed the conflicting testimony on differing recollections.

Altman also apologized for gaps in his earlier Whitewater testimony.

``I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete,'' he said ``I regret that perception and apologize for it.''

But Altman also insisted that no Treasury Department or Resolution Trust Corp. official had ``imparted any information'' about a Whitewater probe to the White House or to President Clinton and his wife, Hillary Rodham Clinton.

The Clintons had been mentioned in criminal referrals, sent by the RTC to the Justice Department last Oct. 8, regarding the RTC's investigation of the bankruptcy of Madison Guaranty Savings and Loan, an Arkansas firm whose failure cost taxpayers some $60 million.

Republicans have charged that the ``heads up'' to the White House about the criminal referrals could have given the president a chance to destroy evidence in the case.

But Altman adamantly insisted Tuesday that no effort was made by Treasury or White House staff ``to impede or alter in any way the criminal or civil processes of the RTC as they relate to Madison Guaranty. ... There is no evidence that either the criminal or civil aspects were compromised, delayed or altered in any way. Simply none!''

Altman complained: ``I've already been tried and convicted before the trial has taken place.''

On Monday, Treasury counsel Jean Hanson told the committee that Altman had ``tasked'' her on Sept. 29 to notify White House counsel Bernard Nussbaum about press leaks regarding the referrals.

Altman said that was not the case.

``Recollections can differ, of course. ... There's nothing unusual about that,'' Altman said. ``I just disagree with Ms. Hanson's recollection.''

Altman also disputed Hanson's testimony about some controversial remarks he made to the committee on Feb. 24.

At that time, Altman said he knew of only one substantive contact between S&L regulators and the White House in the Madison case.

Subsequent evidence indicates, however, that Altman might have known about other significant contacts. And committee Republicans have charged that he lied to the panel about it.

Altman protested that he had not been aware of earlier contacts because Hanson had not told him about them.

Earlier Tuesday, the committee's inquiry centered on several entries in a diary kept by Treasury Department chief of staff Joshua Steiner and on the White House's insistence that Altman not remove himself as a decision-maker in the Resolution Trust Corp. probe of the Madison bankruptcy.

Steiner's diary, which he said reflected his ``impressions'' and was not a ``precise, exact narrative,'' cited several, sometimes breathless, references to White House efforts to keep Altman from recusing himself in the RTC's Madison investigation.

At the time, Altman served both as deputy secretary at Treasury and as acting chief executive of RTC jobs that, on occasion, appeared to be in conflict.

In one entry, Steiner wrote that Altman, who was inclined to recuse himself, changed his mind ``under intense pressure from the White House.''

In another entry, Steiner said White House aides, including Nussbaum, had told Altman a recusal was ``unacceptable.''

Then, when Altman finally did recuse himself, Steiner wrote that two White House aides said Clinton ``was furious'' about Altman's decision.

End

AM-Dear Diary,750
The End of Innocence
Eds: Note N.C. interest beginning in 10th graf; also moving as writethru on general news wire
By JILL LAWRENCE= Associated Press Writer=

WASHINGTON (AP) So refreshing, so honest, ``almost innocent,'' a senator rhapsodized Tuesday about young Josh Steiner's provocative diary. And so troubling, he continued, that Steiner was now backing away from his private thoughts on Whitewater.

``I mean, you certainly weren't writing the diary for the purposes of being untruthful, were you?'' asked Sen. John Kerry, D-Mass.

``Senator, absolutely not,'' answered Steiner, the Treasury Department's somber, unfailingly polite, 28-year-old chief of staff.

Through the long hours of interrogation by Steiner's sometimes stern, sometimes sympathetic elders on the Senate Banking Committee, certain unasked questions arose: Was anyone ever so young? And will anyone in this town ever keep a diary again?

The message to young people in government is clear, intoned Sen. Ben Nighthorse Campbell, D-Colo.: ``Don't take notes and don't keep any diaries because you don't know what the heck they're going to be used for or when they're going to be subpoenaed.''

Does Sen. Alfonse D'Amato, R-N.Y., keep a diary? ``No,'' he declared Tuesday after several grueling hours of grilling. ``Nor will I ever.''

Steiner's boss, Deputy Treasury Secretary Roger Altman, kept a scrapbook-diary of sorts, but he was long past the age of innocence when he wrote it.

At least two of Altman's entries have created controversy as Congress investigates the Whitewater maze: those quoting Hillary Clinton's chief of staff as saying that the first lady didn't want investigators poking into 20 years of public life in Arkansas and that Mrs. Clinton's staff was ``paralyzed'' by the investigation.

No one was disputing Steiner's accounts Tuesday except Steiner leading to some strange and defensive exchanges. One example concerned Steiner's entry that Altman had ``gracefully ducked'' a question before the committee in February.

``Give me your description of ducking a question,'' Sen. Lauch Faircloth, R-N.C., said Tuesday.

``Senator, as I said, I think Mr. Altman was truthful in his testimony before you,'' Steiner said with his customary composure, his hands folded on the table before him.

``Is `truthful' and `ducking' consistent in testimony?'' asked Faircloth.

``I think Mr. Altman was asked a question which he did not anticipate. And he answered in a way that allowed him to convey the information in the clearest possible way that he could,'' came the unshakeable reply.

Eventually D'Amato boiled over and accused Steiner of groping for ``feeble, lamebrained excuses'' to try to ``explain away'' his writings.

``There's no way that you can undo what you have written,'' added Sen. Phil Gramm, R-Texas.

From the other side came sympathetic words from Sen. Barbara Boxer, D-Calif. She urged Steiner, ``if he wants to put all this into perspective, to read the Haldeman diaries.'' She also cited her daughter's impressionistic diary in trying to minimize the importance of Steiner's.

``A lot of these phrases in here are quite dramatic,'' she said. ```Powerless.'' `Fateful.' `Disaster unfolds.' `Tortured day.' Did anyone sit there and torture you, pull your fingernails out? Of course not. You're just using language here to indicate your feelings about it. And I respect the fact that you have a lot of feelings, because you're not old like we are, and you're not numb.''

Boxer even went so far as to corner Sen. Pete Domenici, R-N.M., in an

elevator ``where I couldn't get out,'' he said later. ``She put her arms on my shoulders and she reminded me that `you have a whole bunch of young children that are just like that guy.'''

Steiner is so young that his major resume entries before coming to Treasury were as executive assistant to the president of the New York Public Library and as an editorial intern at Teenage Magazine (``I was a writer and an expert at the time,'' he said).

He was keeping his diary even then, eons ago. He knew Sen. Bob Packwood's embarrassing diaries had been subpoenaed last year, but he didn't apply the lesson fast enough to himself.

Said Campbell: ``While I was listening to him testify, I was wondering to myself how much he would rather be back at the New York Library than here. I think if I was in his case I probably would consider that, too; it is probably a little less traumatic.''

(ED: complete writethru altman testimony; white house reax)
Altman faces Senate on Whitewater
By JEFF BATER= UPI Business Writer=

WASHINGTON, Aug. 2 (UPI) Deputy Treasury Secretary Roger Altman faced the Senate Banking Committee on Tuesday in a long-awaited showdown over Whitewater, steadfastly defending himself and the Clinton administration's handling of the politically fiery affair.

Altman has become the whipping boy for Republicans and others lashing the administration in a case involving allegations President Clinton's aides meddled in a government probe of a failed Arkansas thrift indirectly linked to the chief executive and his wife, Hillary Rodham Clinton.

Altman, a friend of Clinton's from their college days, testified the administration did not interfere in the investigation by the Resolution Trust Corp., a federal agency looking into the collapse of Madison Guaranty Savings & Loan.

``To the best of my knowledge, there was no effort on the part of any White House or Treasury staff to impede or affect in any way the RTC investigations,'' he told the Senate panel.

``Moreover, no member of the RTC or Treasury staff, to my knowledge improperly imparted any information about Madison Guaranty to the White House,'' Altman testified.

Furthermore, the top administration official countered allegations he had misled Congress during a previous appearance before the committee in February.

Meanwhile, the White House offered its support of Altman and other Treasury officials amid a thick swirl of rumors the deputy Treasury secretary might be forced to resign because of the considerable political heat generated by Whitewater.

``The president has full confidence in his team, in Secretary (Lloyd) Bentsen, in deputy Altman, in the full team,'' White House press secretary Dee Dee Myers told reporters. ``The president has full confidence in Roger Altman...and hopes he will stay on. He's done an excellent job. He is a key member of the administration.''

In another development, Myers said at a briefing that top aides were less than forthcoming regarding the handling of a Whitewater file taken from the office of former Deputy Counsel Vince Foster after his suicide last year.

Myers acknowledged the file, removed by former White House Counsel Bernard Nussbaum, was in the possession of Hillary Clinton's chief of staff for five days. The spokeswoman said public comments on the handling of the file were incomplete, but not inaccurate, and the statements were not intended to be misleading.

Earlier Tuesday, Joshua Steiner, a top Treasury Department aide, was the focus of intense scrutiny by the Senate committee, where he downplayed the accuracy of a diary he kept that detailed the administration's handling of the volatile case.

Under grilling by members of the Senate Banking Committee, who picked apart the infamous diary, Steiner dismissed his writings as loose recollections not meant to serve as an ultimate record of events.

The writings by Steiner, the 28-year-old chief of staff to Treasury Secretary Lloyd Bentsen, appear to cast an unfavorable light on the Clinton administration's handling of the Whitewater case.

``I made no effort to check the accuracy of my diary because this was never intended to be a precise narrative or a verbatim account of what took place,'' said Steiner.

``At times, it included impressions of meetings that I did not even attend. It was, more than anything, a way to reflect on events and draw lessons from my personal and professional experiences,'' Steiner said.

At issue is whether the RTC, headed by Altman from 1993 through last March, was influenced by Clinton administration officials during its probe of Madison or if Treasury officials gave improper warnings to the White House in the case.

The RTC was created to untangle the massive failure of savings and loans such as Madison, which collapsed in 1989 and cost taxpayers an estimated $47 million. It was owned by Arkansas businessman James McDougal, who was a partner with Bill and Hillary Clinton in a real estate venture known as the Whitewater Land Development Corp.

Excerpts of Steiner's diary show Altman had sought to remove himself from the case to avoid an appearance of a conflict of interest but that White House officials opposed such a removal, or recusal.

``RA originally decided to recuse himself but under intense pressure from the White House, he said he would make the final determination based on a recommendation from EOllen Kulka,'' the diary said.

Kulka served as general counsel of the RTC and testified Monday before the Senate panel.

Altman ultimately recused himself Feb. 25, a day after a Senate hearing in which he acknowledged discussions between the White House and Treasury about the Madison case.

Bentsen will testify before the Senate Banking Committee on Wednesday. Following a report released Sunday by the non-partisan Office of Government Ethics, which concluded that Treasury contacts with the White House were ``troubling'' but not unethical, Bentsen declared at a press conference that his subordinates did not personally benefit from their contacts with the White House on Whitewater.

be whitewater

A WHITEWATER GLOSSARY

Eds: Rerunning for use as sidebar to WHITEWATER, WHITEWATER-DIARY. Originally moved Monday.

By JOHN HANCHETTE=

Gannett News Service=

WASHINGTON The Whitewater affair is confusing enough to begin with, and when members of Congress got a crack at it beginning last week, it got even murkier.

TV viewers have noticed folks on Capitol Hill talk funny, don't ask clear questions, and ramble off just when they're getting close to something enlightening. Here then, is a glossary of Whitewater terms to help understand what this mess is all about.

Whitewater The complicated matter itself. At heart are three simple questions. 1) Did Bill and Hillary Clinton, through their 1978 realty partnership with savings and loan owners James and Susan McDougal, do a lot of political maneuvering and arm-twisting back in Arkansas to help drain a dying thrift with funds funneled into their real estate accounts? 2) Did Bill Clinton take illegal campaign contributions from the thrift? 3) Did the Clintons try to cover up once they were in the White House?

Criminal Referrals This term has kept the Whitewater pot boiling. It simply means a long, long memo from an agency without any law enforcement powers to the Justice Department suggesting initial information is ample enough to consider the possibility of a big criminal investigation. It is NOT an indictment, as many think. It merely says: Hey, there might be something here.

Resolution Trust Corp. The RTC is the agency created five years ago to clean up the savings and loan scandal of the 1980s. Look at it as a giant real estate brokerage trying to peddle tons of property left over when the thrifts went bust. Much criticized, the RTC makes huge, questionable deals at bargain prices to get things like apartment buildings, marinas and country clubs out of the government's portfolio and back into the hands of private owners.

Regulatory Agency The RTC doesn't really regulate anything or make any banking rules on its own, and it's not as independent as Congress wanted. Loosely under the mantle of the Treasury Department, its head serves at White House pleasure and it is scheduled to expire at the end of 1995. It can bring civil suits against banking crooks, however, and when its investigators suggested, through a criminal referral, that the Justice Department look at failure of the thrift owned by Clinton's friends, all hell broke loose.

Redact From an old Latin term meaning to edit, this now means simply to cross something out so thoroughly no one can read it. When lawyers send along requested documents to Congress, parts that aren't relevant to the specific subject at hand can be ``redacted.'' White House lawyers claim Republicans in Congress trust them to be responsible in leaving readable all noteworthy Whitewater references. Don't believe it.

Recusal This is merely the act of disqualifying oneself from further decisions on a subject because of a recognized conflict of interest. It's a big issue in Whitewater because deputy treasury secretary Roger Altman was going to take no further part in overseeing RTC connections to Whitewater, then switched his decision when the White House talked to him, then switched it again. Republicans think the White House pressured him to stay on the job so he could control or influence touchy Whitewater probes.

Partisan Spin TV viewers may have noticed that in a scandal like Whitewater, elected members of the House and Senate routinely spend more time trying to embarrass the opposing political party than they do attempting to get at the truth. The House Banking Committee was particularly bad at this last week as Democrats started asking White House aides if they attend church regularly (not a joke) and Republicans made remote references to the O.J. Simpson murder charge. Putting the best or worst face on things in Washington for purely political reasons is called ``spin.''

The Leadership Heads of both parties in both chambers, who agreed for political reasons to the extremely restricted format of the first round of Whitewater hearings, which concentrate mostly on bureaucratic intrigue and other arcane matters in Washington. With congressional discipline the order of the day, however, nobody bolts, no matter how stupid the orders. As House Banking chairman Henry B. Gonzalez, D-Texas, says: ``If the leadership tells me it's midnight at high noon, I go back to the office and turn the lights on.''

Tolling When a legal deadline nears for filing something like an indictment or a lawsuit, lawyers sometimes seek a ``tolling agreement'' (as in the clock is tolling). This is an OK from the possible targets and others to waive the deadline date for a period of time so the filing can take place (often because they figure the plaintiffs don't have the goods to begin with). For a while, it looked like the Clintons and their Whitewater partners would be asked to agree to such an extension of the RTC deadline for filing a civil suit against the Arkansas S & L involved, but then Congress extended the deadline anyway.

Diaries Little personal journals one is supposed to use in recording daily truths and innermost thoughts. Altman and Treasury chief of staff Josh Steiner now say they both lied to theirs, and that some embarrassing passages weren't what they really intended.

BC WHITEWATER (SCHEDULED)
ALTMAN IS GRILLED BY SKEPTICAL SENATORS
By Roger Fillion

WASHINGTON, Aug 3 (Reuter) - Deputy Treasury Secretary Roger Altman was raked over the coals by lawmakers Tuesday and early Wednesday who made it clear they doubt he has been fully forthcoming about what he knew about the Whitewater affair.

A Senate panel will question Treasury Secretary Lloyd Bentsen later Wednesday. He so far appears to have played a minor role in controversial contacts between his department and the White House over the affair dogging President Clinton.

But Republicans as well as Democrats expressed doubts and scepticism over Altman's testimony before the Senate Banking Committee, which ended early Wednesday morning, citing how in a number of cases it conflicted with those of other officials.

``I can't help but conclude that your every statement to the committee is to evade and not to inform,'' said Republican Connie Mack of Florida.

``In trying to determine who is the most credible among those who are testifying to many different dates and many conversations and fact patterns, I am beginning to see a pattern here that's troublesome,'' Richard Bryan, a Nevada Democrat, pointedly told Altman.

Altman endured some 10 hours of grilling about his contacts -- and those of other Treasury staffers -- with the White House on issues relating to a government probe of a defunct Arkansas savings and loan that has been linked to the president and Hillary Rodham Clinton.

Republicans have raised the suggestion that Clinton administration officials sought to interfere in the probe of Madison Guaranty Savings and Loan.

Altman told the panel he had never intended to mislead senators in February when he did not give a full account of Treasury-White House contacts about the Whitewater affair.

Altman told the banking panel on February 24 he had met White House officials earlier that month to discuss procedural aspects of the probe into Madison Guaranty.

Altman did not mention previous contacts by Treasury officials last year -- that he said he had not been aware of -- or a discussion he had about stepping aside from the probe. He later amended his testimony in four letters to the panel.

``If I could go back to February 24, I would have answered more expansively,'' he said Tuesday. Altman said in retrospect he should have promptly disclosed the discussion about the possibility of disqualifying himself from the Madison probe.

At the time of his February testimony, Altman was acting head of the Resolution Trust Corporation, which handles the cleanup of savings and loan failures and had referred possible criminal charges involving Madison to the Justice Department.

The institution's head, James McDougal, and his wife were partners of the Clintons in the failed Whitewater land development project in Arkansas where Clinton was governor.

Republican Pete Domenici said he believed Altman's February testimony was ``close to not telling us the whole truth that day'' and said he did not believe it was possible that he ``just plumb forgot'' about a Treasury-White House meeting that occurred last fall.

He also questioned Altman's testimony that he was not pressed by the White House not to disqualify, or recuse, himself from the RTC's case involving Madison Guaranty.

Domenici said the record showed that after Altman's peers said they wanted Altman to stay on at the RTC ``you changed your mind and stayed.'' Altman later did say that then-White House Counsel Bernard Nussbaum had argued against recusal.

END

BC WHITEWATER national editors:WA Altman declares he never lied to Congress about Whitewater

(PHOTOS; details below)

(HAS TRIMS)

By David Hess

Knight-Ridder Newspapers

WASHINGTON Deputy Treasury Secretary Roger Altman on Tuesday battled to preserve his job and his reputation, insisting that he was not aware of early alerts to the White House about a Whitewater investigation and had not lied to Congress about it.

In testimony before the Senate Banking Committee, Altman contradicted Whitewater testimony offered the day before by his department counsel.

Republicans on the committee used that contradiction and other flaws in his earlier testimony to Congress to harshly criticize the senior Clinton aide in a grilling that lasted into the night.

Some Republicans have called for Altman's resignation, and they were clearly trying to make a case for it late Tuesday.

Sen. Phil Gramm, R-Texas, said that on at least three occasions Altman's testimony Tuesday conflicted with that in three sworn statements to the committee by other administration officials.

The senator charged that Altman's testimony was ``totally unbelievable.''

Altman replied, ``I did not lie to Congress,'' and he blamed the conflicting testimony on differing recollections.

Altman also apologized for gaps in his earlier Whitewater testimony.

``I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete,'' he said ``I regret that perception and apologize for it.''

But Altman also insisted that no official of the Treasury Department or the Resolution Trust Corp. had ``imparted any information'' about a Whitewater probe to the White House or to President Clinton and his wife, Hillary Rodham Clinton.

The Clintons had been mentioned in criminal referrals the RTC sent to the Justice Department last Oct. 8, regarding the RTC's investigation of the bankruptcy of Madison Guaranty Savings and Loan, an Arkansas firm whose failure cost taxpayers about $60 million.

Republicans have charged that the ``heads up'' to the White House about the criminal referrals could have given the president a chance to destroy evidence in the case.

But Altman adamantly insisted Tuesday that no effort was made by the Treasury Department or the White House staff ``to impede or alter in any way the criminal or civil processes of the RTC as they relate to Madison Guaranty. ... There is no evidence that either the criminal or civil aspects were compromised, delayed or altered in any way. Simply none!''

With the committee's members arrayed before him in the cavernous hearing room, Altman almost plaintively complained: ``I've already been tried and convicted before the trial has taken place.''

On Monday, Treasury counsel Jean Hanson had told the committee that Altman had ``tasked'' her on Sept. 29 to notify White House counsel Bernard Nussbaum about news leaks regarding the referrals.

Altman said that was not the case.

``Recollections can differ, of course. ... There's nothing unusual about that,'' Altman said. ``I just disagree with Ms. Hanson's recollection.''

(EDITORS: BEGIN OPTIONAL TRIM)

Altman also disputed Hanson's testimony about how she handled some controversial remarks he made to the committee on Feb. 24.

At that time, Altman said he knew of only one substantive contact between S&L regulators and the White House in the Madison case. He was referring to a meeting at the White House on Feb. 2, at which, he said, he explained some procedural options for continuing the RTC's Madison inquiry.

Subsequent evidence indicates, however, that Altman might have known about

other significant contacts. And committee Republicans have charged that he lied to the panel about it.

Altman protested that he had not been aware of earlier contacts last fall between regulators and the White House because Hanson had not told him about them.

Moreover, he said, Hanson had helped prepare for the Feb. 24 hearings, sat behind him during the (erroneous) testimony he gave and then had lunch with him during a recess and still did not inform him that his testimony was inaccurate.

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Earlier Tuesday, the committee's inquiry centered on several entries in a diary kept by Treasury Department chief of staff Joshua Steiner and on the White House's insistence that Altman not remove himself as a decision-maker in the RTC probe of the Madison bankruptcy.

Steiner's diary, which he said reflected his ``impressions'' and was not a ``precise, exact narrative,'' cited several, sometimes breathless, references to White House efforts to keep Altman from recusing himself in the RTC's Madison investigation.

At the time, Altman served both as deputy secretary of the treasury and as as acting chief executive of the RTC jobs that, on occasion, appeared to in conflict.

(EDITORS: BEGIN OPTIONAL TRIM)

In one entry, Steiner wrote that Altman, who was inclined to recuse himself, changed his mind ``under intense pressure from the White House.''

In another entry, Steiner said White House aides, including Nussbaum, had told Altman that a recusal was ``unacceptable.''

Then, when Altman finally did recuse himself after a New York Times

(END OPTIONAL TRIM)

The diary, along with other testimony and documents, also indicated that White House officials were concerned about getting a fair shake in the RTC investigation because of the tough reputation of RTC counsel Ellen Kulka.

Then, when an political arch foe of the administration, former Republican U.S. Attorney Jay B. Stephens, was contracted by the RTC to conduct the investigation, some White House aides blew their stacks.

Steiner wrote in his diary that senior policy adviser George Stephanopoulos called him about the Stephens appointment and asked if ``we needed to find a way to get rid of him. (I) persuaded George that firing him would be incredibly stupid and improper.''

Stephens is still on the job, and Kulka remains as the RTC's general counsel.

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AM Whitewater, 2nd Ld-Writethru,970
Altman Apologizes to Senators, Says He Didn't Intend to Mislead
Eds: UPDATES with Altman's appearance before the Senate committee
By MIKE FEINSILBER= Associated Press Writer=

WASHINGTON (AP) His credibility on the line, Deputy Treasury Secretary Roger Altman apologized Tuesday for earlier testimony that misled senators about White House attempts to monitor an investigation that could embarrass President Clinton.

``I realize that, in retrospect, my testimony of Feb. 24 may appear too narrow or perhaps incomplete,'' he said at the Senate Banking Committee's Whitewater hearing. ``I regret that perception and apologize for it.''

Altman, an early star in the Clinton administration, was the key witness on a day that cut to the heart of the administration's Whitewater explanations.

He was preceded at the witness table by Joshua Steiner, the youthful Treasury chief of staff, who disavowed his own diary's portrayal of the Clinton administrations handling of Whitewater.

Skeptical senators challenged many of Steiner's explanation, including his effort to downplay a reference that Altman ``gracefully'' dodged the truth during his February testimony.

``You've got a convenient memory here today, but these diaries speak for themselves,'' Sen. Richard Shelby, D-Ala., told him at one point.

Even before Tuesday's hearing, some Republicans demanded Altman's resignation a fact that was not lost in his opening statement. ``I read that I have already been tried and convicted,'' Altman said.

Sitting behind him was his wife and B.A. Bentsen, the wife of Treasury Secretary Lloyd Bentsen.

Republicans charge that Altman deceived the Senate committee when he testified Feb. 24 that he knew of only one ``contact'' about the investigation into the failed Madison Guaranty Savings and Loan in Arkansas, with ties to Bill and Hillary Rodham Clinton.

Altman was forced to correct his February testimony four times and even then did not reveal the full extent of contacts between regulators and the White House. An ethics agency's report Sunday said at least 40 occurred.

Clinton is likely to give his verdict on Altman's performance at a nationally televised news conference Wednesday. His press secretary, Dee Dee Meyers, said Tuesday the president ``hopes that he'll stay on.''

In his testimony, Altman:

Sharply disputed Monday's sworn statement by Treasury general counsel Jean Hanson. Sitting behind him at the Feb. 24 hearing, she said that she heard Altman give erroneous testimony to the committee in February, but could not correct it at the time.

But he said that he ``turned to her and she confirmed my answer'' at the time. He said the two of them had lunch afterwards and she did not call his misstatements to his attention. And, he said, when he wrote committee chairman Donald W. Riegle Jr., D-Mich., to correct his testimony incompletely she still ``did not suggest that my recollection was faulty.''

Also denied Hanson's testimony that it was on his instructions that she initially disclosed the Whitewater-related probe to the White House last fall. ``I do not believe that to be the case,'' he said.

Acknowledged that he had failed to tell the Senate about all the contacts between the White House and his agency over Whitewater. But the disputed conversations were ``incidental,'' he said; ``they could not have had any bearing whatsoever on the case.''

Denied a charge made Friday by Sen. Alfonse D'Amato, R-N.Y. D'Amato produced excerpts from a sworn statement by Harold Ickes, deputy White House counsel. He quoted Ickes as saying that Altman tipped off the White House that the statute of limitations would expire before the Madison investigation could be completed relieving the Clintons of any worry.

``This is categorically false,'' Altman said.

Congress subsequently extended the statute of limitations.

The senators are investigating whether the Resolution Trust Corp.'s probe of Madison's failure was thrown off course by the administration.

Madison was owned by James McDougal, Clinton's business partner in the Arkansas land venture known as Whitewater. In criminal referrals sent to the Justice Department, RTC investigators alleged that the first family may have benefited from improper activities at the S&L.

Altman was the acting head of the RTC, putting him in a position to influence its Madison investigation.

As he has all along, Altman said he never sought to influence the RTC investigation.

``Moreover,'' Altman said, going to the senators' central question, ``no member of the RTC or Treasury staff, to my knowledge, improperly imparted any information about Madison Guaranty to the White House.''

When Steiner testified, he sought to disavow his diary entries, including one that stated that during his February testimony Altman had ``gracefully ducked the question'' about how many Whitewater contacts had occurred.

Steiner, 28, said he kept the diary merely ``to reflect on events and draw lessons from my personal and professional experiences.''

``I wish that my diary was more accurate,'' he said.

Steiner also disavowed a notation in his diary that Altman had come under ``intense pressure'' in February from the White House to continue overseeing the Madison investigation. At the time, Altman was thinking of removing himself to avoid the appearance of a conflict.

A few senators, calling the witness ``Josh,'' were sympathetic.

Sen. Barbara Boxer, D-Calif., said the diary's ``exaggerations'' were the work of a young man who didn't want to look back on Washington in 20 years and ``think it all is boring.''

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(ED: 1grafcorrection11thgraf xxx Development Corp. pickup12thgraf: A friend fixing month, March sted February)
Steiner testifies on Whitewater, diary
By JEFF BATER= UPI Business Writer=

WASHINGTON, Aug. 2 (UPI) Joshua Steiner, a top Treasury Department aide under intense scrutiny in the Whitewater affair, testified before the Senate Tuesday and downplayed the accuracy of a diary he kept that details the Clinton administration's handling of the politically volatile case.

Under grilling by members of the Senate Banking Committee, who picked apart the infamous diary, Steiner dismissed his writings as loose recollections not meant to serve as an ultimate record of events.

The writings tend to cast unfavorable light upon the administration's handling of a case that involves President Clinton and suggests the president's aides meddled in a government probe of a failed Arkansas thrift indirectly linked to Clinton and his wife, Hillary Rodham Clinton.

But Steiner, the 28-year-old chief of staff to Treasury Secretary Lloyd Bentsen, seemed Tuesday to disavow entries in the diary, which has been turned over to Congress for its Whitewater hearings.

``I made no effort to check the accuracy of my diary because this was never intended to be a precise narrative or a verbatim account of what took place,'' Steiner told the Senate panel.

``At times, it included impressions of meetings that I did not even attend. It was, more than anything, a way to reflect on events and draw lessons from my personal and professional experiences,'' Steiner said.

The Treasury aide testified he wrote in it ``fairly infrequently'' and that some entries were made nearly a month after the events being described.

``I wish that my diary was more accurate, but I take my responsibility to this committee very seriously and I feel obligated to present the facts as truthfully as I possibly can,'' Steiner told senators.

At issue is whether an independent federal agency, the Resolution Trust Corp., was influenced by Clinton administration officials in its investigation of the failure of Madison Guaranty Savings & Loan.

Madison collapsed in 1989, costing taxpayers an estimated $47 million. It was owned by Arkansas businessman James McDougal, who was a partner with Bill and Hillary Clinton in a real estate venture known as the Whitewater Land Development Corp.

The RTC was created to clean up the tarred savings and loan industry. It's interim chief from 1993 through last March was Roger Altman, who is also deputy Treasury secretary.

A friend of Clinton's from their college days, Altman is perhaps the most controversial figure in the hearings. He was to testify later Tuesday before the Senate panel.

Altman has become a lightning rod of criticism in the Whitewater matter as allegations fly from Republicans that the administration received improper warnings via meetings between White House and Treasury officials about the RTC's probe into Madison.

Excerpts of Steiner's diary show Altman had sought to remove himself from the case to avoid an appearance of a conflict of interest but that White House officials opposed such a removal, or recusal.

``RA originally decided to recuse himself but under intense pressure from the White House, he said he would make the final determination based on a recommendation from Ellen Kulka, the GC,'' the diary said.

Kulka served a general counsel of the RTC and testified Monday before the Senate panel.

Altman ultimately recused himself Feb. 25, a day after a Senate hearing in which he acknowledged discussions between the White House and Treasury about the Madison case.

On Tuesday, Steiner seemed to back off the diary words ``under intense pressure'' as senators bore in on him during close questioning.

Sen. Donald Riegle, D-Mich., asked the Treasury aide why he chose such

language.

``You're a very thoughtful person,'' said Riegle, the committee's chairman. ``You're the chief of staff now for the secretary. You're obviously very talented. And you would not have picked those words out of thin air. What do you base that on?''

Riegle implored Steiner to scour his memory.

``When you say that Mr. Altman described to you what had been said by (former White House counsel Bernard Nussbaum) that created this impression of intense pressure, I want you to think as carefully as you can as to exactly how Mr. Altman would have described that to you. What did he say to you?''

Replied Steiner: ``I want to make it clear, senator, that it was not my impression at the time that he was under intense pressure. As I said before, I did not write this diary for the purposes of providing a precise narrative.''

Reporters at Tuesday's hearing were given 1 &1/2 pages of text titled ``Diary of Joshua L. Steiner,'' and it included a series of dated entries.

The final entry, dated Feb. 13-27, read as follows: ``Such an incredible city. Been battling (with) the RTC/Madison. Wrote two pages about what's been going on, suddenly realized that I could be subpoenaed like (Sen. Robert Packwood, R-Ore.) and the most innocuous comments could be taken out of context. So on that subject, nothing.'' Packwood is the lawmaker who was forced to relinquish his diaries as part of a probe of sexual allegations leveled against him.

On Monday, another central Whitewater figure appeared before the Senate panel during its high-profile hearings, which have captured enormous media attention and are being televised live nationwide.

Jean Hanson, general counsel for the Treasury Department, defended the Clinton administration in her testimony, saying ``no one...did anything wrong or unethical.''

Senators grilled Hanson for seven hours, casting doubts on her recollections of events and challenging her judgments.

In a report released Sunday, the non-partisan Office of Government Ethics concluded Treasury officials in the Whitewater case did not violate ethical standards for executive branch employees but that their contacts about the sensitive matter were ``troubling.''

Bentsen held a news conference and declared on the basis of the investigation that his subordinates did not personally benefit from their controversial contacts with the White House on Whitewater matters.

Bentsen refused to say at what point he learned about those contacts, saying he would save that for his testimony before the Senate Banking Committee Wednesday.

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PM Whitewater, 7th Ld-Writethru, a0572,890
Treasury Aide Disowns Embarrassing Diary Entries
Eds: Inserts 1 graf after 6th graf pvs with Altman appearing before committee in afternoon, picks up 7th graf pvs, ``The committee xxx
By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) Disowning his own diary entries, a top Treasury official sought today to convince skeptical senators that his written portrayal of the Clinton administration's handling of the Whitewater affair was in error.

``I wish that my diary was more accurate,'' Treasury Chief of Staff Joshua Steiner told the Senate Banking Committee.

Steiner wrote that Deputy Treasury Secretary Roger Altman was under ``intense pressure from the White House'' to continue overseeing the Resolution Trust Corp.'s investigation of the failed Madison Guaranty Savings and Loan, owned by Clinton's former business partner in the Whitewater land venture.

But under questioning by Democrats and Republicans on the committee, Steiner said, ``It was not my impression at the time he was under pressure.''

He also told the senators he didn't remember why he had written that Altman had ``gracefully ducked'' questions from senators during an RTC oversight hearing in February.

``You've got a convenient memory here today, but these diaries speak for themselves,'' Sen. Richard Shelby, D-Ala., told him.

Altman was getting a chance to describe his Whitewater-related activities during the committee's afternoon session.

The committee is investigating whether any improprieties occurred in the RTC's investigation of Madison. Investigators allege in criminal referrals that Clinton and his wife, Hillary Rodham Clinton, may have benefited from improper activities at the S&L.

Steiner said Altman, then acting head of the RTC, was leaning toward stepping aside from the probe but decided to ``sleep on it'' after a White House meeting with presidential counsel Bernard Nussbaum on Feb. 2.

Altman returned from the meeting and described to him the arguments that Nussbaum had made, including Nussbaum's fear that the probe would be ``carried out in a partisan fashion'' if Altman stepped aside, Steiner testified.

He said that at times he wrote entries in his diary about meetings he did not attend and that he did not check their accuracy. ``It was more than anything a way to reflect on events and draw lessons for my personal and professional experiences,'' he said.

White House officials already have testified that there was no pressure on Altman to recuse himself from the Madison investigation.

The committee chairman, Donald Riegle, D-Mich., was not convinced.

``It is very clear to me from reading your diary ... there was a problem here of Mr. Altman being under very significant pressure with respect to the decision,'' he told Steiner.

Steiner testified the ``word `battle' is overly dramatic'' in his diary entry that there had been battles within the RTC for weeks about how the investigation should be handled. Steiner said the issue was not the overall Madison investigation but whether Altman should recuse himself.

He also said his entry that Clinton was furious when Altman did, in fact, step aside, was not based on direct conversations with White House staff.

Sen. Barbara Boxer, D-Calif., tried to show that Steiner's diary, and its ``exaggerations,'' was a product of a young man who didn't want to look back on his years in Washington 20 years from now and ``think it all is boring.''

She asked Steiner, who is 28: ``You're not backing away from basic facts you yourself knew firsthand. Am I correct?''

Yes, he responded.

But he said the diary entries in question did not involve information about which he had firsthand knowledge.

Dennis Foreman, the Treasury Department's chief ethics officer, told the committee there was no legal requirement that Altman recuse himself from the

investigation.

In a separate development, a White House official said today that when Whitewater-related documents were removed from the office of deputy White House counsel Vince Foster's office immediately after his suicide last year, they were taken by Mrs. Clinton's chief of staff to the first family's personal residence.

The official, speaking on condition of anonymity, said the documents were transferred to the Clintons' private lawyer five days later, after Foster's funeral. The official did not know why the papers didn't go immediately to the private attorney.

The Washington Post, which first reported the development, quoted the Clintons' lawyer, David Kendall, as saying neither the president nor Mrs. Clinton reviewed the documents.

The Treasury officials' appearance came after Democrats and Republicans on Monday grilled the department's top lawyer, Jean Hanson, about contradictions with other administration officials and her failure to correct Altman's earlier Senate testimony even though she knew it was incomplete.

Hanson's answers were so damaging to herself that Sen. John Kerry, D-Mass., said it's ``almost as if you're setting yourself up to take the fall for Mr. Altman.''

Contradicting her boss, Hanson testified she first revealed information about the Madison probe to presidential aides last September at Altman's explicit instructions.

Altman has said he does not recall giving Hanson, the general counsel, such an instruction and does not believe he did so.

Democrats and Republicans flashed anger at Hanson's failure to correct Altman's misleading testimony in a Feb. 24 Senate hearing.

At that time, Altman was asked whether he was aware of any discussions with administration officials about Whitewater. He mentioned only one contact, although it is now known there were at least 40. And he neglected to disclose that he considered disqualifying himself because of his friendship with the president.

Senators asked Hanson how she could sit behind Altman at the hearing and not correct him immediately or at least in the days aftewards. She said she was waiting for a transcript to review,

``At some point you had some obligation to remind him that was left out,'' Riegle said. ``You had some obligation to respond in real time.''

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PM-MO- Whitewater-Investigator, Bjt,0450

Kansas City RTC Investigator Declines To Testify For Now

By CURT ANDERSON= Associated Press Writer=

WASHINGTON (AP) A savings and loan investigator from Kansas City, Mo., says she won't testify before Congress during this opening round of Whitewater hearings, but probably would appear later on.

Jean Lewis, a senior criminal investigator with the Resolution Trust Corp., knows nothing about any contacts between the White House and Treasury Department about Whitewater, her lawyer said.

``Accordingly, Ms. Lewis would not be in a position to provide any relevant testimony,'' said attorney Michael Forshey in a letter Wednesday to House Banking Committee Chairman Henry Gonzalez, D-Texas.

Gonzalez asked Ms. Lewis earlier this week to testify before his panel today, saying she should focus on the White House-Treasury contacts.

The House and Senate banking panels are limiting their first round of Whitewater hearings to those contacts and the suicide of White House counsel Vince Foster at the request of special counsel Robert Fiske, who is conducting his own investigation.

Forshey said Ms. Lewis would be willing to appear before the panels once they turn their attention to the failure of Madison Guaranty Savings & Loan, an Arkansas thrift with ties to the Whitewater land development and Bill and Hillary Clinton.

``Once the limitations on the scope of Ms. Lewis' ability to testify are withdrawn, Ms. Lewis would accept a subsequent invitation to appear and testify fully before your committee,'' Forshey wrote to Gonzalez.

Even then, however, Forshey told Gonzalez that Ms. Lewis ``intends to insure that her cooperation does not potentially compromise'' Fiske's probe.

House Banking Committee aides said Ms. Lewis remained on today's schedule to testify. Forshey said Thursday he'd had no contact with the committee but insisted she would not be attending.

Ms. Lewis, who lives in Shawnee, Kan., wrote a report in 1992 suggesting that prosecutors consider bringing charges in check-kiting scheme she uncovered involving Madison and Whitewater. That memo named the Clintons co-owners of Whitewater as potential beneficiaries of the scheme but did not charge an illegal act.

When nothing happened, Ms. Lewis wrote memos saying there were ``roadblocks'' to her criminal referral and that someone may have been trying to cover it up.

Her notes indicated that a top RTC attorney in Washington, April Breslaw, telephoned her to discuss any connections between the Clintons, Madison and Whitewater. Breslaw was also on the House committee's witness list for today.

Forshey said in his letter to Gonzalez that because the Banking Committee has a tape of that conversation, it would be unnecessary for Ms. Lewis to testify about it.

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White House economic adviser Robert Rubin said there was no question in his mind that Altman would stay on.

``Roger has been ... an outstanding deputy secretary and there's no question in my mind he'll continue to be,'' Rubin told reporters at the White House. REUTER

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bc-hi-lewin
NOTES FOR THE HONOLULU ADVERTISER FROM KIRK SPITZER

Some Lewin supporters have suggested that his help in formulating the Clinton health care program has produced a relationship with the White House that would work in Hawaii's favor.

Indeed, Lewin was a member of the 500-person advisory committee that helped Hillary Clinton formulate the administration's initial health care package in 1992 and he later served on the 47-member review committee that put the finishing touches on the plan.

Still, those connections appear to have carried little weight, so far.

Lewin last year was passed over for undersecretary of health at the Department of Veterans Affairs, a relatively modest post, despite the backing of Hawaii's congressional delegation.

Charles Cook, a Washington political analyst, said a presidential friendship that goes back years and years might prove helpful in the governor's mansion. But, he said, it's unlikely Lewin played the kind of key role developing the health care plan to produce that kind of relationship with Clinton.

``I doubt Clinton could pick (Lewin) out of a lineup of 15 people. Gobs and gobs of people worked on health care,'' he said.

Hawaii's congressional delegation may have reached the same conclusion. Last week, all four members hosted a $1,000-per-person Washington fundraiser for Lewin's Democratic primary opponent, Lt. Gov. Ben Cayetano.

``Normally, (members of Congress) stay out of primaries,'' said Cook.``When they don't, there's usually one of two reasons: They have a close relationship (with one of the candidates), or they don't think it's a competitive primary.''

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AS THE TREASURY TURNS

LLOYD BENTSEN His conservative views have clashed with those of White House liberals. Now, Bentsen's claim that he was out of the loop on Whitewater has been challenged.

ROGER ALTMAN The Republicans' chief target in the Whitewater hearings. As acting head of the Resolution Trust Corp., Altman aided White House attempts to limit political fallout from the scandal.

JEAN HANSON A political neophyte, Treasury's general counsel threatens to drag Altman and Bentsen deeper into Whitewater. She has produced documents suggesting that both lied about their involvement.

JOSH STEINER Bentsen's chief of staff dismayed Altman and White House aides by giving congressional investigators his diary detailing their struggle to keep a lid on Whitewater political damage.

CLINTONITES MAY FORGIVE BENTSEN BUT NOT ALTMAN

TREASURY'S WHITEWATER WHIRLPOOL

Bentsen may stay afloat, but the affair is imperiling key staffers—and goals

It began as a Republican assault on the Oval Office. But increasingly, it appears that the main casualties of GOP-inspired congressional hearings into the Whitewater affair will be the occupants of 1500 Pennsylvania Avenue, stately home of the U.S. Treasury Dept.

Inquiries by the House and Senate Banking Committees won't turn to Treasury aides' roles in Whitewater until early August. But already, it's clear the department has been rocked by the scandal. No matter what happens on Capitol Hill, insiders expect big personnel shifts at Treasury this fall.

BUSY AGENDA. To understand why, consider the intrigue swirling around the department. Secretary Lloyd M. Bentsen contends he was unaware of subordinates' questionable activities—a claim one aide disputes. Deputy Secretary Roger C. Altman, who kept the White House abreast of Whitewater developments when he served as acting head of the Resolution Trust Corp., has seen his version of events contradicted by co-workers. General Counsel Jean Hanson and Bentsen Chief of Staff Josh E. Steiner have produced documents suggesting that Altman was an early and active participant in White House damage control.

Although Special Counsel Robert B. Fiske Jr. feels that the scurryings of Treasury aides do not warrant criminal prosecution, White House Chief Counsel Lloyd N. Cutler told the House Banking Committee on July 26 that some of those contacts—notably Altman's discussion with White House aides of his recusal from the case—showed poor judgment.

And judgment is highly prized at Treasury, which cherishes its reputation as a buttoned-down bastion of prudence. With its high command mired in Whitewater claims and counterclaims, the department seems adrift—even as lobbying for a new General Agreement on Tariffs & Trade intensifies, the dollar remains shaky, and legislation easing barriers to interstate banking nears passage. Treasury is "an agency that's paralyzed," says an Administration economist. "Nothing is getting done."

Although Treasury no longer wields the clout it enjoyed under Republicans—due in part to President Clinton's creation of a National Economic Council (NEC) in the White House—it remains central to efforts to boost U.S. competitiveness. Observers doubt it can be effective while it's under a Whitewater cloud. "Treasury has been severely damaged," laments a former high-ranking department official. "The place is going to have to be rebuilt."

> All the talk of lousy judgment is rattling Treasury, which sees itself as nothing if not prudent

Few congressional sources believe that Bentsen's standing has suffered. "They still love Lloyd on the Hill," says a Clinton economic aide. The same cannot be said of Altman, whose ability to hang on to his job looks increasingly in doubt. Although he elicited a terse expression of Presidential support on July 25, many Clintonites believe his effectiveness is beyond repair. "Altman is trying to save his hide even as the White House distances itself from him," says a Presidential adviser. "The Clintons won't forgive him for leaking stuff that fingered [White House aides] George [R. Stephanopoulos] and Harold [C. Ickes]. He must go, and he will go." Altman's response: "As far as taking a fall is concerned... I don't expect to resign."

DEAR DIARY. Another likely casualty is Steiner, whose diary notations threaten to cut the bottom out of Altman's defense. The betting is that the 28-year-old aide departs Treasury for a less visible job. As for Hanson, few Clinton aides think she can patch up matters with Bentsen. One bone of contention: a Hanson memo that tried to get the Treasury chief to admit he understated his knowledge of Whitewater. "Jean would have to resign on her own," reckons a top Clintonite. "Any move to remove her would look like retribution."

Short of Treasury aides begin an exodus, who would fill their wingtips? Typically, the speculation has begun even before the bodies have departed—or delivered their congressional testimony. In-house favorites for Altman's job include W. Bowman Cutter, deputy to NEC

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...to Robert E. Rubin, and Erskine B. Bowles, head of the Small Business Administration. Other insiders: Joan E. Spero, Under Secretary for Economic Affairs at the State Dept., and Commerce official Jeffrey E. Garten, an ex-colleague of Altman at Blackstone Group. Outsiders include C. Fred Bergsten, director of the Institute for International Economics and a Treasury official in the Carter Administration.

Long-term, some Democratic strategists suspect that the Treasury Department would strengthen Bentsen's position within the Administration. Despite that most of the top deputies, from Altman and Hanson to Under Secretary for International Affairs Lawrence H. Summers, were White House suggestions, one Clinton adviser says that a position swap might be just the ticket. "The plan was always for Bentsen to depart at some point and for Rubin to step in. Now, Lloyd might just dig in and try to [illegible] Treasury [illegible] political wrangling and palace intrigue.

By Lee Walczak, Joan Warnsser, Douglas Harbrecht, with Alice Cuneo in Washington

Commentary/by James C. Cooper

LOOKING FOR AN EXCUSE, GREENSPAN FINDS THE GREENBACK

Suddenly, Alan Greenspan sounds a lot like Wayne Angell, the Federal Reserve Board's former superhawk.

On July 15, the Fed chief extolled the economy's "ideal combination of rising activity, falling unemployment, and falling inflation." But only five days later, when he squared off with the Senate Banking Committee at his twice-yearly report on monetary policy, he not only intensified his anti-inflation rhetoric but elevated the policy role of the dollar. Even Angell, now resident Fed critic for Bear, Stearns & Co., lauded Greenspan's remarks.

The Fed chairman sounded as if the weaker dollar might provide one more excuse to make another preemptive strike against inflation, despite accumulating signs that the economy is already slowing. Fed watchers now expect another hike in interest rates at the next policy meeting on Aug. 16. And the move could be a big one—a 50 basis-point increase in both the federal funds rate and the discount rate, now at 4¼% and 3¼%, respectively.

PLAIN SPEAKING. But why tighten at all? The Fed's own forecast for 1994 implies that second-half growth will slow to between 2.5% and 3%, from 3.5% to 4% in the first half. Private economists are starting to worry the Fed will do too much. "The risk is that the Fed will overtighten and end up slowing the economy more than necessary to hold inflation in check," says Bruce Steinberg at Merrill Lynch & Co.

Greenspan seems ready to take that risk. He pointed to shortages of construction workers and truck drivers, slower delivery times, and rising prices of raw materials as signs that the economy is approaching full capacity. He also threw in the Angellian concern over higher gold prices. Not particularly compelling stuff.

But what might give Greenspan a more persuasive cover for another rate hike is the weaker dollar. Traditionally, the greenback's role in interest-rate policy has been about nil. That's why his statement that in recent weeks what "has worried me most, clearly, is the weakness in the dollar" is an unusually blunt comment from a Fed chairman.

The chairman seems willing to run the risk of tightening too much and slowing the economy

It's not as if the Fed is about to rush to the aid of the downtrodden dollar. Rather, Greenspan's quote was in the context of U.S. inflation—that the weaker dollar was a sign "that inflationary pressures as viewed out in the world are clearly not coming down." Put that way, the Fed chief has a more orthodox excuse for another hike.

However, it may well be true that U.S. monetary policy can no longer ignore the powerful influence of international currency markets. "There's no question that the increased integration of global markets is having an impact," says Charles Lieberman at Chemical Bank. Not only is a sagging dollar inflationary, it's a sign that Japanese and German investors are eschewing U.S. assets, especially bonds, which also hurts the U.S. economy.

That's why Greenspan may favor a big rate hike. In his testimony, he said the Fed began tightening on Feb. 4 with quarter-point moves to ease the shock to the financial markets, but by May 17, the markets were ready for a half-point hike. Besides, the markets almost universally pooh-poohed those quarter-point increases as inadequate. And if the Fed does have a tacit agenda to reverse the dollar's decline, one more baby step won't do it. Indeed, a discount-rate boost, while not important in the U.S., makes a loud noise around the world.

Despite the dollar, Greenspan may simply believe that another big hike is necessary to ensure that inflation is preempted. Toward the end of his 3½ hour testimony, after all committee members except Chairman Donald W. Riegle Jr. (D-Mich.) had left, Greenspan mused frankly: "What if we are wrong?" He then made it clear that at this point, when price pressures start to emerge, he would prefer to make a policy error on the side of restraint. To be sure, the Fed must be vigilant against inflation, but while Greenspan's new hawkishness may help the dollar, it places the expansion at risk.

Cooper is BUSINESS WEEK's senior economist.

■ ON POLITICS

BY GLORIA BORGER

Diaries of the mad spinmeisters

"I'm going to go slowly so people who are keeping diaries can get it all down."
– DEMOCRAT BARNEY FRANK AT HOUSE WHITEWATER HEARINGS

So what is it with all these diaries this summer? First Bob Packwood, then Bob Haldeman, then the Whitewater scribblers – Deputy Treasury Secretary Roger Altman and Joshua Steiner, Treasury's 28-year-old chief of staff. After Richard Nixon's incriminating tapes and the confusion over George Bush's Iran-Contra notes, many thought diaries might be dead or at least inadvisable for any sane government employee. But as it turns out, diaries are still the rage, with one caveat: They have less and less to do with reality.

Memoirs have always favored their authors. But the all-seeing nature of Washington has grown so perverse that its newest diarists may well be the ultimate political progeny: people who spin themselves. Lately, political diary keeping has led down one of two roads – financial success or political ruination. David Stockman's account of the Reagan years brought in the bucks; Packwood's unpublished kiss-and-tell brought him to the Justice Department. So, if the diary is going to get subpoenaed – or become a bestseller – why not spin early and maybe make the tale juicier?

RICK WILKING – REUTER / BETTMANN

Treasury aide Steiner. *Wants to "supplement and clarify" his diary*

They are Washington's ultimate political progeny: people who spin themselves.

Consider Steiner, the Treasury official who, by all accounts, is a fine fellow, smart and loyal. This week he will tell Congress something guaranteed to make historians cringe: Steiner will disclaim his own diary or "supplement and clarify it," as his lawyer says. Steiner wrote that the White House put "intense pressure" on his boss, Altman, to continue to oversee a federal probe of Whitewater. At a "fateful meeting," he added, senior advisers told Altman his recusal from the matter would be "unacceptable." And in a letter to his girlfriend about congressional hearings, Steiner offered that "yours truly might also be in some trouble" as a potential witness.

"Very impressionistic." At least he got that right. But was Steiner spinning the rest? Some of the "golly gee" excerpts and breathless adjectives make it seem that way. Yet his attorney, Reid Weingarten, swears that "Josh was not writing a book and never thought this would see the light of day. He didn't intend to put untruths down. He wasn't being precise; he was very impressionistic." Maybe so. And maybe, as Democrat Barney Frank suggests, Steiner is falling on his sword, "unhappy he's caused pain." Whatever the truth, the infamous Ed Rollins I-was-just-kidding defense discredits both the author and his jottings.

If Steiner wasn't writing a book, Packwood probably was. It's a safe bet that notes dictated each morning for 25 years are for others to see eventually. Packwood wanted to edit his diaries, but never got the chance. The lesson: Spin early and leave the bad stuff out. "Historians once considered a diary as close as you can get to someone," says presidential scholar Michael Beschloss. "Now that it can be an instrument of criminal prosecution, we have less candor." And the diarists can spend more money on lawyers than they might get from book advances.

Historical perspective is just not hot these days. The half life of an administration memoir lasts only about as long as the administration itself. The diary of Interior Secretary Harold Ickes Sr., rich in detail about Roosevelt's first term, appeared 20 years later. Now, says Beschloss, the demand is for "instant history." And the participants are often very willing to provide their own versions.

The problem comes when the self-aggrandizing becomes self-incriminating. Oddly enough, that didn't happen in the voluminous diary of Nixon's Chief of Staff Bob Haldeman, whose revealing notes exposed his boss as no one else ever has. But unlike this current batch of note takers, Haldeman didn't write about himself. Instead, he was the voice-over in a documentary about the Nixon years. As a result, he served history, not himself.

No one would disagree with Roger Altman, who says that keeping a "scrapbook," as he calls his notes, was "probably dumb." He apologized to the first lady for writing that she didn't want a special counsel "poking into 20 years of public life in Arkansas." What makes even less sense, though, is this invention of pre-spun memoirs. While scribbling about Whitewater, for instance, Josh Steiner paused. "Wrote two pages about what's been going on, suddenly realized that I could be subpoenaed like Packwoods [sic] and the most innocuous comments could be taken out of context. So on that subject, nothing." History will just have to wait. ■

Swearing to do better

In fear that he is in 'perilous' shape, Clinton plots his next comeback

Despite his public bravado, Bill Clinton admits to friends that his presidency is in trouble. The voters, he worries, increasingly see him as "part of the problem" in Washington—either too liberal to challenge the power structure or too weak to break political gridlock. Clinton is particularly distressed by a new round of polls and focus groups conducted by the Democratic Party in five regions across the country. The findings: Few Americans think the president has accomplished very much, many don't trust him and only 4 out of 10 voters think he is doing a good job. And White House strategists predict that the Democrats could lose 25 seats in the House and four or five seats in the Senate this November, jeopardizing the president's working control of Congress. Clinton calls it a "politically perilous" situation and has demanded that something be done about it.

The result is a new 100-day strategy, leading up to the November 8 midterm elections, designed by the White House to engineer still another Clinton comeback. The rescue plan has four elements:

- Clinton will go all out to win congressional passage of comprehensive health care reform. He will also trumpet the $32 billion crime bill that cleared a House-Senate conference committee last week.
- If successful, Clinton will highlight those legislative victories while campaigning for Democratic candidates this fall in an effort to vindicate his presidency as one of accomplishment.
- The White House will emphasize six initiatives that Clinton pollster Stan Greenberg says are most popular with voters: requiring three-time violent felons to serve life terms in prison without parole (though the three-strikes-and-you're-out law didn't originate with Clinton); putting 100,000 more police officers on the streets; cutting the federal bureaucracy by 270,000 workers; reducing the deficit by 40 percent in one year; boosting the incomes of 15 million middle- and low-income workers through the earned-income tax credit, and reforming the welfare system. Except for welfare reform, all of those initiatives have been enacted or are close to passage, and the idea is to demonstrate that Clinton's presidency has made a difference.
- Perhaps most important, Clinton will attempt to stitch these themes together by arguing that his programs will improve life for the "forgotten middle class"—an idea he used to good effect in his campaign but hardly a public relations touchstone of much of his presidency.

Drawbacks. There are two big problems with the rescue plan. One is that the public's sour mood has been fueled by the Whitewater mess and could be hard to shake as questions persist. Hearings began last week, and this brought the issue embarrassingly back into the spot-

Stand-up group. *Ten top White House aides testified before the House about their contacts with*

light as current and former aides were hauled before Congress. Yet because the focus was so narrow, the hearings seemed more sideshow than substance—and Democrats hoped the public would begin to dismiss the entire Whitewater matter.

The second problem with Clinton's comeback strategy is that passing health care reform will be a herculean struggle. Democrats in the House and Senate differ on many fundamental issues, including whether to require employers to pay for workers' health insurance (so-called employer mandates). But White House strategists don't think Clinton has any choice except to accept the best bill he can get, even if it falls conspicuously short of his announced goal of insurance coverage for all Americans funded mostly by employers. "If we fail to pass a health care bill, Bill Clinton will seem like an incompetent," says a senior Democratic strategist. "We won't be able to say we've ended gridlock, and we'll lose control of the Senate. We can't afford to let that happen."

CHICK HARRITY—USN&WR

New thinking. *The Clintons are turning to seasoned Washington veterans, rather than friends, to help fix their problems.*

The White House problem is that a final bill cannot bear the Clinton label. As House Majority Leader Richard Gephardt outlined his artful compromise last week, one briefing chart was labeled "Key Differences From the Clinton Plan"—and included the promise that it would not have "large, government bureaucracies." Gephardt called his measure—which seeks universal coverage by 1999 funded by employer mandates, a 45-cent tobacco tax and Medicare savings—"a brand new bill."

Senate Majority Leader George Mitchell, meantime, was working to produce a plan less ambitious than the House version. His would require employers to pay half of their workers' insurance if 95 percent coverage is not achieved by the year 2001. But passing any kind of mandate in the Senate could prove problematic, and there are other options floating—including subsidy plans to phase in Clinton's goal by first targeting children or workers between jobs. But Senate Republicans might try to delay a crucial vote this week on even the scaled-back bill—and a long delay will hurt the chances for passage of any plan this year.

Agent of change. Chronic troubles with his agenda, his public relations and his staff have forced Clinton to make some changes and contemplate more. For instance, advisers agree he is no longer intent on filling the government with Friends of Bill (FOBs) or Friends of Hillary (FOHs). "Just being a pal no longer counts the way it did in the beginning," says a Clinton adviser. "[Clinton] realizes you can be loyal to him even if you didn't go to kindergarten or Oxford with him."

Some FOBs and FOHs have lived up to Clinton's expectations and their own high ambitions, including Labor Secretary Robert Reich, Deputy Secretary of State Strobe Talbott and U.S. Trade Representative Mickey Kantor. Those who have succeeded have tended to be policy specialists with orders to address specific issues. In contrast, the longtime Clinton pals who have gotten into trouble over the past year have tended to be operations and political specialists. Their stature won't grow this week as one notable FOB, Deputy Treasury Secretary Roger Altman, is grilled

ERIK FREELAND FOR USN&WR

regulators probing Whitewater matters. All said their contacts did not influence the regulators' work.

about his role in the Whitewater mess (next story).

Missteps by top aides have been particularly striking because Clinton's network of friends at first seemed so impressive. But as the administration's problems mounted, Clinton has turned to Washington insiders without a history of friendship with him or the first lady. First, the president named Washington veteran Lloyd Cutler—never part of Clinton's inner circle—to replace FOH Bernard Nussbaum in the extremely sensitive job of legal counsel. By all accounts, Cutler has settled down a shaky operation and brought some much needed seasoning to some of the administration's most important deliberations on such things as getting the Clintons to support congressional Whitewater hearings and disclosing much of their private financial history.

Then Clinton named Leon Panetta, a longtime congressional insider, as his new chief of staff. Panetta has shaken up staff operations by making firm assignments and demanding follow-up reports and by focusing most White House energy on winning legislative victories. Panetta is also examining options for a serious staff shake-up. One big early test will be his choice of a successor to Cutler, whose temporary White House duty ends next month. Aides say Panetta wants his own person in the post—rather than an FOB—and he is pondering a big shift by making counsel a staff disciplinarian. He's also thinking about hiring a noted media expert to run communications operations and perhaps even a top-notch political adviser to prepare the White House for Clinton's re-election campaign.

Despite such changes, some of Clinton's advisers wonder if the new moves go far enough. For one thing, the rescue plan is being fashioned largely by domestic and political advisers, and it does not account for foreign-policy blowups that could occur in Haiti, Bosnia and other hot spots. Management of foreign policy, some advisers fear, remains myopic.

Another concern raised by the Whitewater hearings is that they will continue to remind voters of Clinton's "character problem." Clinton, frustrated that Whitewater won't go away, refused to watch the televised hearings. "We're not happy about it, but we're not obsessing about Whitewater anymore," says a senior adviser. "We think the worst is over." If that proves to be true—and the 100 days' revival plan works—Clinton's perilous situation might improve considerably. ■

BY KENNETH T. WALSH

■ U.S. NEWS

Was Roger Altman too clever by half?

Why he's on the hot seat in the Whitewater mess

CHARLIE ARCHAMBAULT—USN&WR

Friend in need. *Altman was trying to help Clinton.*

How did Deputy Treasury Secretary Roger Altman, an all-star during Bill Clinton's first season, find himself struggling to preserve his job and reputation as he prepared to testify before Congress on the Whitewater affair this week? The answer is a tangled Washington tale of political intrigue, personal flaws and the ancient impulse to sacrifice a victim to the gods of scandal.

The single biggest mistake Altman and the White House made was to confuse the roles of regulator and politician. Altman was a highly successful Wall Street banker when he joined the inner circle of economic advisers to candidate Clinton. They knew each other at Georgetown University but weren't nearly as close as some have made out. Altman, though, became not just another subcabinet official but a trusted confidant who was often at the White House three times a day. His political acumen was so admired that he helped command passage of Clinton's economic plan through Congress a year ago.

But Altman was also named acting head of the Resolution Trust Corp., the regulatory agency that supervises the cleanup from the savings and loan scandal. And in that job he let his political instinct to protect the president from unfavorable publicity color his regulatory responsibility. In March 1993, Altman sent two news stories to White House counsel Bernard Nussbaum about the Clintons' Whitewater land deal and its complicated ties to Madison Guaranty, a failed Arkansas thrift. That fall, Treasury counsel Jean Hanson alerted White House aides about possible criminal charges that were being considered against Madison that could embarrass the Clintons. Hanson says Altman directed her to do it—an account Altman denies. Whatever the case, political sensitivities were clearly at work at some level of the regulatory process.

Last February 2, Altman briefed White House colleagues on a developing problem: The statute of limitations on criminal charges involving Whitewater was about to expire. He was clearly uncomfortable about his dual role and mused about recusing himself from any decisions involving Whitewater. But those White House officials, who wanted him in place as an early warning system, persuaded him to stay. Republican Sen. Alfonse D'Amato of New York argues that evidence suggests the meeting was aimed at thwarting the RTC probe. But Altman apparently never used his power to do that. In fact, he worked with Congress to pass a bill extending the statute of limitations. But it now seems clear he was too concerned about Clinton's political vulnerability and his own future as a

possible successor to Treasury Secretary Lloyd Bentsen to offend influential friends by ending his fuzzy status.

Later that month, on February 24, Altman testified on Capitol Hill and was asked about his involvement in Whitewater. He mentioned the February 2 briefing but never disclosed that he had discussed recusing himself. And he never mentioned other conversations he had on the issue with White House personnel, claiming they were not "substantive" enough to be worth recalling. In retrospect, says Massachusetts Rep. Barney Frank, a leading administration defender, Altman was trying to be "too cute." Says Frank: "He was so nervous about how things would look that he made himself vulnerable." His concern about "how things would look" came into play again the next day, when Altman finally did decide to recuse himself from Whitewater matters—but only after learning that the *New York Times* was about to attack him.

Altman has been cleared of legal wrongdoing. The question is whether he violated any ethical precepts, and that is hard to determine. The line between proper and improper behavior is constantly shifting. In fact, Altman probably wouldn't be facing such a serious problem except for these outside forces:

■ **Republican retribution.** Republicans suffered for 12 years while Democrats sniped at the ethical lapses of their appointees, from John Sununu to Edwin Meese. Now, it is payback time.

■ **Bad timing.** The current Whitewater hearings cover only a tiny slice of the story—how the White House handled the emerging scandal—and it is Altman's misfortune to be a major figure in that small episode. There is also a common tendency by the press and politicians alike to personalize a scandal in order to make it more understandable.

■ **Democratic credibility.** Clinton defenders, such as White House counsel Lloyd Cutler, have to preserve their own credibility by admitting some mistakes. And criticizing Altman is the most convenient way to do that.

■ **Washington ritual.** One way to quell bad publicity, and gain some breathing room, is to pitch somebody overboard. Rep. Marge Roukema, a New Jersey Republican, in effect offered the White House just that deal, saying that dumping Altman would "re-establish its credibility and integrity."

Are Altman's ethical sins and misjudgments grievous enough to justify his departure? The answer is probably no, but it will be no surprise if it happens. ■

BY STEVEN V. ROBERTS

■ U.S. NEWS

Whatever it is, Bill Clinton likely did it

Without proof, foes say he's tied to lurid crimes

Sitting in a cozy parlor and wearing a red cardigan, Larry Nichols looks into the camera like an earnest Mr. Rogers and tells of "countless people who mysteriously died" after having run-ins with Bill Clinton. Nichols, an Arkansas state employee fired in 1988 for making hundreds of calls to the Nicaraguan Contras from his office, says it's all part of Clinton's "evil society."

Beyond last week's congressional Whitewater hearings and the ferment over Paula Corbin Jones's sexual harassment lawsuit, attacks against Clinton have taken a decidedly sinister turn. Televangelists, conservative talk-show hosts, political opponents and some computer bulletin-board aficionados are suggesting that Clinton could be tied to dozens of deaths, from a pneumonia case in Delaware to three of the four federal agents killed in the raid on the Branch Davidian compound in Waco, Texas.

DID CLINTON USE A TIME MACHINE TO BEAM BACK AND KILL LINCOLN?

So goes "Bill Clinton's Circle of Power," a video made earlier this year by Citizens for Honest Government, a California-based conservative group headed by television producer Pat Matrisciana. The video is filled with dark suggestions that as president and governor, Clinton was connected to the murders and beatings of several people, including political opponents. The Rev. Jerry Falwell promoted the video during a month of TV infomercials, and it has sold more than 100,000 copies, according to its makers. They hope its sequel, "The Clinton Chronicles," which repeats the charges at greater length, might outsell the first, even without Falwell's help.

Weird era. Even at a time of great national anxiety and confusion, the intense, fecund and often bizarre charges leveled against Clinton are startling. He has unusually high negative ratings in many polls, but even that fails to explain fully the extreme nature of the charges leveled at him. "These attacks have reached a level of invective and viciousness that is unparalleled," complained White House

ILLUSTRATIONS BY GARY HOVLAND FOR USN&WR

counsel Lloyd Cutler during last week's Whitewater hearings. "There are a great many people who would like to bring President Clinton down who will stop at practically nothing."

No episode seems beyond Clinton's reach in the world of conspiracy buffs. A *Wall Street Journal* editorial in March chastised the "respectable press" for showing "little-to-no appetite for publishing anything about sex and violence" in Whitewater-related matters. It proceeded to report that while working on a story for the *New Republic* about incestuous relationships between business leaders and politicos in Arkansas, writer L. J. Davis opened the door to his Little Rock hotel room and remembered next awakening face down on the floor with a hefty bump on his head and "significant" pages of his notes missing. The implication was that some sinister elements had tried to quash Davis's piece. But Davis soon admitted drinking at least four martinis that night. No pages were missing from his notebook, and he had no idea how he ended up on the floor. "I certainly wasn't about to conclude that somebody cracked me on the head," Davis said at the time.

Even the most serious charges are characterized by serious deficiencies in corroborating evidence. In a letter to congressional leaders, former Rep. William Dannemeyer lists 24 people with some connection to Clinton who have died "under other than natural circumstances" and calls for hearings on the matter. On Dannemeyer's list is James Wilhite, a friend of White House adviser Thomas "Mack" McLarty who suffered fatal head injuries in December 1992 when he skied into a tree in Colorado. Clinton was nowhere near the scene. Dannemeyer also mentions Paul Tully, a chain-smoking, overweight Democratic strategist who, according to Little Rock police spokesman Lt. Charles Holladay and the Pulaski County coroner's report, died of a heart attack in 1992. Next is Jon Walker, an administrator in the Resolution Trust Corp. office probing Madison Guaranty; Walker died last year when he jumped from a Northern Virginia apartment building. Tom Bell, a detective with the Arlington, Va., police, says Walker was a "particularly clear case of suicide because there was a witness."

Others on the Dannemeyer list are more curious but completely lack evidence implicating Clinton. In March, a plane piloted by 72-year-old Herschel Friday, head of a prestigious Little Rock law firm, crashed on approach to a private runway near Friday's home. Friday served on Clinton's presidential campaign finance committee, and his widow, Beth, says the Clintons were "good friends." However, rumors about a link between Whitewater and Friday's death began circulating soon after the crash. The National Transportation Safety Board has not issued its final report on the crash, but so far investigators have given the family no indication the plane had mechanical problems. Mrs. Friday is confident her husband's death was "purely an accident." Dannemeyer admits that Clinton may have had no involvement in Friday's death and some of the others, but he insists that the "number goes beyond coincidence." He says he merely wants them investigated.

WHERE EXACTLY WAS CLINTON THE AFTERNOON OF MARCH 15, 44 B.C.?

"The Clinton Body Count." Dannemeyer's list of "suspicious deaths" is taken largely from one compiled by Linda Thompson. She is an Indianapolis lawyer who in 1993 quit her one-year-old general practice to run her American Justice Federation, a for-profit group that promotes pro-gun causes and various conspiracy theories through a shortwave radio program, a computer bulletin board and sales of its newsletter and videos. Her list, called "The Clinton Body Count: Coincidence or the Kiss of Death?" and updated biweekly, now contains 34 names of people she believes died suspiciously and who had ties to the Clinton family. Thompson admits she has "no direct evidence" of Clinton killing anyone. Indeed, she says the deaths were probably caused by "people trying to control the president" but refuses to say who they were. Thompson says her allegations of murder "seem groundless only because the mainstream media haven't done enough digging."

Earlier this year, Thompson released two videotapes and a folksy music video purporting to show that the February 1993 shootout in Waco, Texas, was a conspiracy in which three agents from the Bureau of Alcohol, Tobacco and Firearms were "executed" in the Branch Davidian's armory by their own men because of what they might have witnessed as Clinton's bodyguards. Though the men did help the Secret Service guard Clinton a few times, the Treasury Department's report in the Waco standoff refutes the charge: "Contrary to some publicly disseminated accounts, none of the agents that entered the armory was killed." According to the report, the men were killed in different locations around the compound. ATF spokesman Les Stanford says, "Her videos are replete with falsehood and errors."

Of the "suspicious deaths" listed by Thompson and endorsed by Dannemeyer, many victims have only the most tenuous ties to Clinton—four members of Marine Helicopter Squadron One, for

Wunderkind to Whipping Boy

Whitewater: Deputy Treasury Secretary Roger Altman faces the music—and it sounds like taps

DEPUTY TREASURY SECRETARY ROGER Altman is the guy Bill Clinton tapped to run the White House "war room," which coordinated legislative strategy on Clinton's deficit-reduction deal with Congress—and when the budget bill finally passed, on the night of Aug. 6, 1993, the war room erupted in happy shouts. "Rah-*ger!* Rah-*ger!!*" the staffers chanted. But that was then and this is now—and Altman, a pivotal witness in this week's Senate Banking Committee hearings on the Whitewater affair, is out of favor with the White House today. "At some point, he has to cope with a very difficult question—whether his own defense is hurting the president," one White House adviser suggested last week. Asked whether that time has come, this adviser, who said he considers himself one of Altman's friends, murmured that he'd "rather not say."

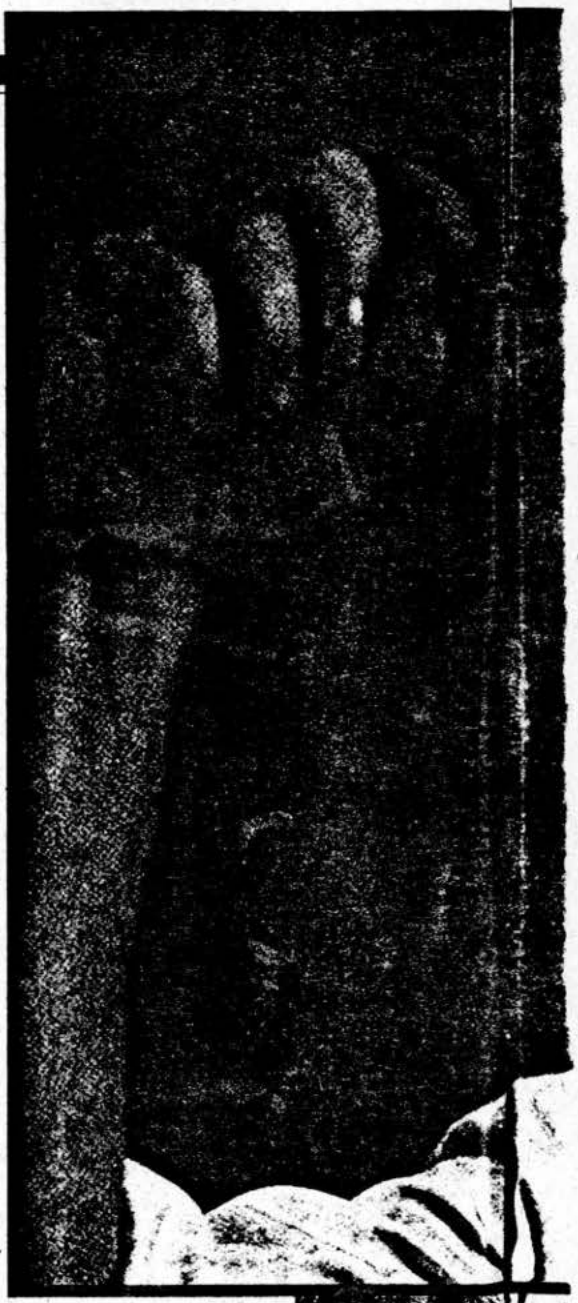
So there, despite public statements of support from Treasury Secretary Lloyd Bentsen and from Clinton himself, is the way a former wunderkind gets the word—from a colleague who wonders, very publicly, if you've become a political liability. That's Washington, where anonymous suggestions to sacrifice your career for the president are an old story. But Altman's case is somewhat unusual in two ways. First, he was one of the most visible Young Turks in an administration filled with Young Turks—a Friend of Bill's and a rising star who, according to one associate, thought he was "untouchable." Second, as special prosecutor Robert Fiske has already announced, neither Altman nor anyone else is accused of breaking the law.

But Altman may be forced to resign anyway, despite his own insistence last week that he has "no plans" to do so. That is because, over a period of months, he appears to have been at least somewhat indiscreet. Exactly what he did is in dispute and may never be fully resolved, and there is no evidence at this point that Altman said or did anything to obstruct justice. But some in Congress suspect he wandered over the ethical line by keeping the White House informed about an ongoing federal investigation of Madison Guaranty Savings and Loan. The investigation, by the Resolution Trust Corp., involved the Clintons' Whitewater real-estate venture and eventually named Clinton's 1985 campaign for governor as a suspected co-conspirator in a scheme to divert campaign funds. Altman supervised the RTC.

Diary entries: Altman denies he did anything improper. But he has already changed his version of events several times, and other Treasury officials—particularly Jean Hanson, the department's top lawyer—have different recollections. As a result, this week's showdown is likely to produce more compelling testimony than the snoozathon before the House Banking Committee last week. Worse, Altman and another Treasury official, Joshua Steiner, kept diaries that are now in the hands of congressional investigators. According to excerpts released last week, Altman wrote in January 1994 that Hillary Rodham Clinton was "paralyzed" at the thought of a special prosecutor and didn't want anyone "poking into 20 years of public life in Arkansas."

Whitewater—the Madison Guaranty case—landed on Altman's desk almost as soon as he joined the Treasury Department. According to William Roelle, a career civil servant who was RTC vice president, Altman was briefed on the Madison Guaranty investigation in March 1993—though Altman denies it. By late summer, RTC investigators were about to file a second investigative "referral" about Madison Guaranty that substantially raised the stakes. This one named Clinton's 1985 campaign as a potential target for criminal investigation. Roelle told investigators he briefed Altman and Hanson on the new development. He also warned Hanson not to inform the White House about the new charge, presumably to protect RTC from political pressure.

Hanson nonetheless briefed White



The Wages of Spin

Amid the boredom and confusion of the Whitewater hearings, one thing is certain: either some top administration officials are suffering from amnesia about contacts between the White House, Treasury and the Resolution Trust Corp.—or they represent the gang that couldn't spin straight. Some examples of how their stories conflict:

JEAN HANSON

Claim: The Treasury general counsel told congressional investigators in July that she informed the White House of the RTC probe at Altman's request.
Counterclaim: Altman says she didn't, and a note found in her own safe says: "I don't rec that I told anyone of t conversation."

Claim: House that th never crimin and ev only w po
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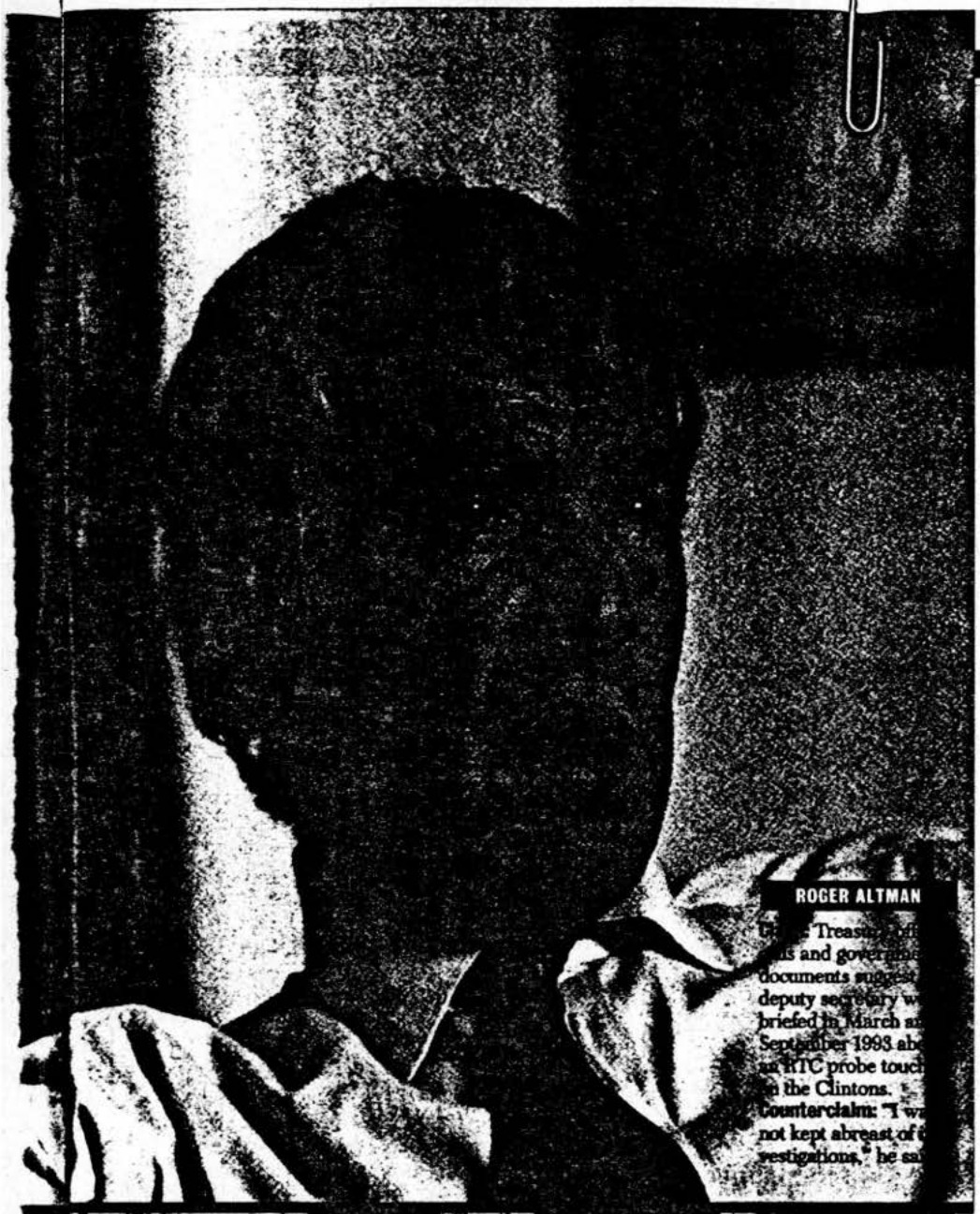
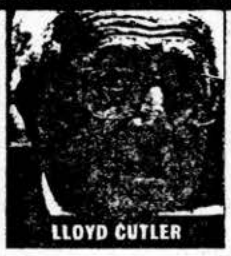


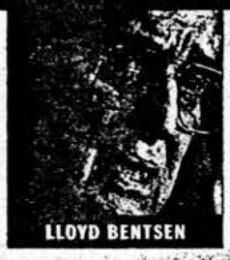
ROGER ALTMAN

...Treasury ...
...s and gover...
documents sugges...
deputy secretary w...
briefed in March a...
September 1993 ab...
...RTC probe touch...
...the Clintons. **Counterclaim:** "I w...
not kept abreast of ...
vestigations," he sa...



LLOYD CUTLER

Claim: The White House counsel testified that the White House never saw the RTC criminal referrals, and even today knows only what's been reported in the press. **Counterclaim:** Another White House lawyer's notes from September contain information on the referrals that wasn't public at the time.



LLOYD BENTSEN

Claim: The Treasury secretary said last March that he was never briefed on Hanson's White House contacts: "I did not attend any of these meetings, nor was I informed of any of these meetings." **Counterclaim:** Treasury documents and Hanson suggest that he may have been briefed as early as last September.

JOSHUA STEINER

Claim: Treasury chief of staff wrote in his diary that White House officials got mad when Altman tried to withdraw from the RTC probe; "R.A. backed down the next day." **Counterclaim:** Clinton aide Harold Ickes and former counsel Bernard Nussbaum said they told Altman to make up his own mind.

MARGARET WILLIAMS

Claim: Altman wrote in his diary that Hillary's chief of staff said the First Lady was "paralyzed" by Whitewater and if it wasn't solved soon, "you don't have to worry about her schedule on health care." **Counterclaim:** Williams reportedly told Altman: "Roger, I can't remember ever having these discussions with you."

House counsel Bernard Nussbaum on Sept. 29, 1993. She has said under oath Altman told her to do it, and investigators found a memo in which she reported the briefing to Altman. The first memo is contradicted by a second memo, in which Hanson says she told no one. GOP investigators believe the second memo is an attempt to rehearse her answers before testifying, but Altman has seized on it as evidence that her memory is faulty. He says he does not remember telling her to brief anyone. White House officials say the conflict between them makes it nearly inevitable that Hanson will go if Altman survives.

'Backed down': Whitewater became front-page news early in 1994—and the evidence suggests that Altman was torn between his loyalty to the Clintons and the fear that he might act improperly. On Feb. 2, Altman briefed Nussbaum, deputy chief of staff Harold Ickes and Margaret Williams, Hillary Clinton's chief of staff. Altman then said he intended to disqualify himself from the Whitewater investigation because of his friendship with the Clintons. The White House officials "reacted very negatively . . . and [Altman] backed down the next day," Steiner wrote in his diary.

Altman disclosed the fact of this White House briefing at a congressional hearing in late February. His testimony set off a media frenzy that led special prosecutor Fiske to summon Altman, Hanson and other administration officials before a grand jury. Altman soon recused himself from the Whitewater investigation but alerted a New York Times editor before he told the White House. That looked like grandstanding—or, worse, a betrayal—and Clinton was said to be "furious."

Altman's relations with the White House got even worse when congressional sources released the excerpt from Altman's diary. The note, written in January and attributed to Williams, suggested that Mrs. Clinton was deeply alarmed by Whitewater. Word of this embarrassing tidbit reached the White House only in July, when White House counsel Lloyd Cutler was preparing his congressional testimony. Altman then apologized to Hillary Clinton, who told him she had learned long ago that it was unwise for people in public life to keep a diary. Williams was less understanding. According to congressional investigators, she said, "Roger, I can't remember ever having these discussions with you. This is very upsetting to me." The next day, Williams said, Altman stopped at Williams's office to deliver an envelope marked "personal and confidential"—but Williams stalked into her office and threw the envelope into the trash without opening it. Nobody was shouting "Rah-*ger!*" anymore.

MARK HOSENBALL *and* BOB COHN *in Washington*

CLOCKWISE FROM TOP: RICHARD A. BLOOM—SABA, LARRY DOWNING—NEWSWEEK, DOUG MILLS—AP, LARRY DOWNING—NEWSWEEK (2), NC

The Whitewater Farce

Hearings full of sound and fury, signifying next to nothing

BY JONATHAN ALTER

THE NEW YORK TIMES SELF-RIGHTEOUSLY EDITORIALized a couple of months ago that it was fine for Clinton political supporters to believe Whitewater was no big deal, "but for any journalist or news organization to be swayed by those arguments would be to abdicate responsibility." Well, I guess I abdicate. Yes, reporters should continue to probe various angles; they may yet find that 10 years ago the governor of Arkansas had some friends who were crooks. But Whitewater so far is a parody of a political scandal, full of sound and fury, signifying next to nothing. If it walks like a duck and talks like a duck, it must be a . . . turkey.

The moment that best symbolized the absurdity of last week's hearings may have been "Nussle Exhibit No. 1." Nussle is GOP Rep. Jim Nussle of Iowa, whose previous claim to fame was putting a paper bag over his head to protest the House bank scandal. This time Nussle dramatically drew former White House counsel Bernard Nussbaum's attention to an especially significant document that Deputy Treasury Secretary Roger Altman had sent to Nussbaum last year. The TV audience stirred. A smoking gun? It certainly sounded like evidence of something big. Then, the moment of truth. The document turned out to be a fax of a year-old New York Times clipping. Even Nussle couldn't explain why this stale news was so meaningful.

UPI–BETTMANN

Truman: *Pre-presidential ties never probed*

Soon enough, someone will be made to pay for the administration's chronic inability to get its story straight. When you lead with your chin, as Altman has, the results are predictable. But as the Republicans obsess over who said what to whom on which pseudosignificant date, the giant public yawn is fully justified. Even the mystery of Vince Foster, flogged by Senate ghouls last week, looks flat next to the O. J. Simpson story. Robert Fiske's report confirming that Foster was a suicide won't stop the grassy-knoll crowd. But Rush Limbaugh doing a bad Oliver Stone imitation isn't going to salvage these hearings for the GOP. When Rep. Jim Leach demanded hearings last spring, he promised "blockbuster" revelations of "gagged" regulators. Now Leach says the Washington phase is only "1 percent" of Whitewater. Nice try.

That leaves the other 99 percent, which is presumably about what happened in Arkansas before Clinton was elected president. This should be probed by the press and special counsel, but not by Congress. Why? Because, as historian Alan Brinkley notes, the American tradition is that the political verdict on these matters should be rendered by voters in presidential campaigns, not by Capitol Hill inquisitors. For more than 200 years, partisan, even vicious, congressional committees have held scores of hearings about how presidents conduct themselves. But until now, a president's activities *before* taking office have never been probed. Not Chester Arthur's years as a patronage lackey. Not Harry Truman's connections to Kansas City's corrupt Pendergast machine. Not Lyndon Johnson's suspiciously profitable radio licenses.

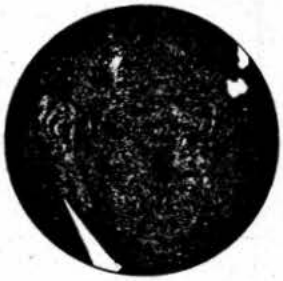
The political verdict on these matters should be rendered by voters

If we're to break this precedent, let's at least consider the consequences. Imagine that Senator Bob Dole becomes President Bob Dole. Under this new Whitewater standard, his presidency might immediately be crippled by congressional hearings about the 1988 presidential campaign. That year, the Dole team consistently violated laws governing campaign spending limitations. The Federal Election Commission (FEC) imposed the largest fine in its history. What did candidate Dole know about those violations, and when did he know it? Or maybe the huge tax break Dole won for a big campaign contributor (Archer-Daniels-Midland) would be the subject. Juicy, isn't it? But turning every president's background into a congressional circus will doom the country to an even more enervating cycle of partisan score-settling.

Love letters: A few years from now, nothing about Whitewater will be remembered except a few broad categories of winners and losers. The big losers will be historians. With Treasury chief of staff Joshua Steiner's diary and love letters having been turned over to authorities, only those officials with the potential for big book advances will ever again write down anything interesting. The big winners will be—surprise!—lawyers. No official of the future will dare make even an appointment in a date book without checking first with a lawyer or ethics officer. Lisa Caputo, Hillary Clinton's press secretary, learned this lesson the hard way. She took one phone call in which a Resolution Trust Corp. spokesman told her a couple of TV networks wanted to talk to the First Lady about Whitewater. For that—and nothing more—Caputo was hauled before a grand jury and a House committee and forced to spend thousands on legal fees.

Caputo and the rest of the White House staff were faulted all last fall and winter for not persuading Hillary Clinton and her husband to respond to questions raised in the press. That was fair criticism: the Clintons were stonewalling. But now it turns out that most of the supposedly scandalous agency "contacts" were to figure out how to handle press inquiries. Does withholding information from the press somehow constitute obstruction of justice? Even the Times editorial page can't honestly believe that. When one part of the government shares sensitive information with another it may look bad, but no one has yet offered any evidence that these contacts compromised any investigation. In fact, the only way in which the RTC probe has been compromised is that Jay Stephens, a loudly anti-Clinton partisan, is still working for the RTC trying to gather evidence against the president who last year fired him as a federal prosecutor. Is that a conflict of interest? Paging Jim Leach.

Periscope



Powell's number 2? Bennett

POLITICS

To the Mount

HAVING PROMISED AN ANswer by Labor Day, author and former education secretary William Bennett is hiking in the Colorado Rockies this week while he ponders whether he'll run for the GOP presidential nomination. But friends say his decision is already made: he won't make a bid. Sources say Bennett wants no part of the strife and indignities of the campaign trail, though he would be available for the vice presidential slot—if Colin Powell heads the ticket. ("Their wives are quite friendly," says a Bennett pal.) GOP insiders see it as a dream ticket, but Powell so far is mum on his plans.

What's holding up the judges? Independent counsel Fiske

WHITEWATER

Prosecutor Problems?

IS THE WHITEWATER PROBE ABOUT TO GET MURKIER? FOR the past month, since the new independent-counsel act became law, the Justice Department has waited for a three-judge panel to ratify Robert Fiske as Whitewater prosecutor. Officials expected prompt action. Is it a summer slowdown, or do the judges have a problem? Fiske is a Republican, yet several GOP House members wrote the panel questioning his independence. (One cavil: he's friendly with ex-Clinton-counsel Bernard Nussbaum.) A panel spokesman declined to comment. Said a Justice official: "We don't know what's going on."

New questions may also be raised about Vincent Foster's Whitewater files. White House aides acknowledged last week that after Foster's suicide, Hillary Clinton's top aide, Maggie Williams, moved a box holding the files to a locked White House closet. Clinton lawyer Robert Barnett later took the box to his office. A memo by an aide who helped Williams suggests the White House knew the files were relevant to "ongoing or past investigations." But spokesman David Dreyer said last week the memo is "poorly written and wrong."

QUAYLE WATCH

A Split in the Ticket

IN HIS BOOK "STANDING Firm," Dan Quayle takes pot shots at most of the Bush t n except the former president. In public, Bush has returned the favor, maintaining a discreet silence about Quayle's recap of his much-ridiculed vice presidency. But Bush has told friends that settling scores in print with former colleagues—and potential '96 presidential rivals—like James Baker and Jack Kemp was politically dumb. The ex-veep would have helped his image more by offering new ideas or policy analysis, Bush has said. "The only guy who gets hurt by that book is Quayle," Bush told a pal.

Plucking Quayle: At Euro Disney

WASHINGTON FAX

Spook Spat

Why haven't any top CIA officials been sacked as a result of the Aldrich Ames spy scandal? A recent Langley seminar turned testy when senior officials discussed reforms the agency would make following the Ames case. "The midlevel people asked a lot of pointed questions," says a CIA source. "They're looking for a housecleaning at the top." Senior CIA officers have rarely been fired for counterintelligence failures, but top aides say CIA Director R. James Woolsey, aware of the grumbling, is ready to roll heads once Langley's inspector general completes his report on the Ames affair next month.

LAWSUITS

More Charges

DEFENDERS OF O. J. SIMPSON have alleged that LAPD Detective Mark Fuhrman may have planted the bloody glove on Simpson's lawn. Fuhrman denies it, but they're not the first to accuse him of evidence tampering. Fuhrman is a defendant in a planned retrial of a civil suit brought by Joseph Britton, shot by L.A. police after a 1987 ATM robbery attempt. Britton alleges that, after the shooting, Fuhrman or another cop planted a knife at his feet to justify the gunfire. Fuhrman did not return calls for comment. But at the first trial (which ended in a hung jury), he denied rearranging any evidence.

CONVENTIONAL WISDOM WATCH

Whitewater Hearings Edition

The CW is Whitewaterlogged but enjoys the theatrics. Maybe the House Banking Comm. should hold hearings in the cafeteria so members would have something to throw at each other.

Players		Conventional Wisdom
L. Cutler	⬌	Classic CW wise man sounded imperious, patronizing, but scored for White Hc
B. Nussbaum	⬆	Old CW: Feisty N.Y. lawyer is tone-deaf. New: Feisty N.Y. lawyer has perfect pitch.
R. Altman	⬇	Every scandal has a sacrificial lamb and they're already spreading on the mint jelly.
O. Hatch	⬆	Utah GOPer debunks Foster conspiracy mongers. Sports a surprisingly hip tie, too.
J. Leach	⬇	Too hot for the sweater. Or maybe he's feeling the heat for hyping this thing.
J. McDougal	⬆	Gorgeous seatmate at hearing, Jimbo. Can Madison guarantee she'll stay with you?

LEFT TO RIGHT: GROPP—SIPA. KEESEE—ARKANSAS DEMOCRAT GAZETTE—SIPA. STEVENS—GAMMA-LIAISON

The Treasury Secretary denies knowledge of contacts between his department and the White House

The Treasury's general counsel says acting RTC chief Altman directed her to contact the White House

The RTC official told Altman of the Madison Guaranty probe after being asked about any "politically sensitive" cases

TIME

■ WHITEWATER

Roger, Over And Out?

Senators think the No. 2 Treasury officer leaked secrets to the White House, then misled them. It may cost him his job.

By **MICHAEL DUFFY** WASHINGTON

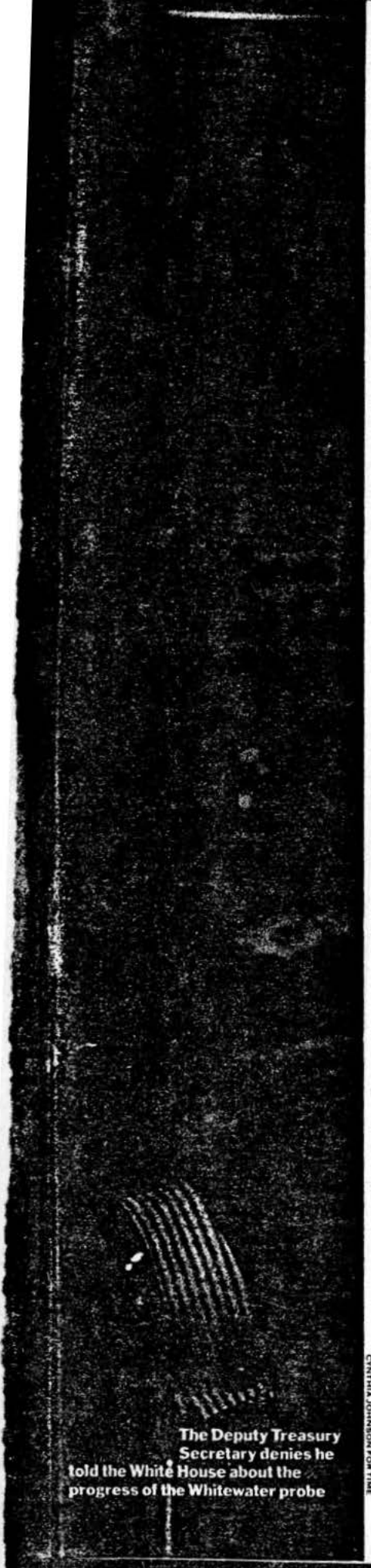
ROGER ALTMAN PROBABLY KNEW HIS days were numbered when Bill Clinton issued a tepid, one-sentence endorsement of his college chum and campaign fund raiser. In a statement released by Treasury chief Lloyd Bentsen last Monday, Clinton said, "I believe that Roger Altman has been an excellent Deputy Treasury Secretary, and we want him to continue in that capacity." In Washington, where what isn't said is often more important than what is, those less than bracing words of support could have another translation: "Pack your bags."

Altman could be forgiven if, four days later, he thought he heard moving vans coming up the driveway. On Friday the Senate Banking Committee opened hearings on whether White House and Treasury officials had intervened in a federal investigation of a failed Arkansas savings and loan with ties to the Clintons. Republican Senators charged Altman not only with lying to Congress about the extent and nature of those contacts but also with breaking federal rules of confidentiality by telling the White House about the progress and timing of the probe. Altman was in a good position to know. From March 1993 to February of this year, he was acting head of the Resolution Trust Corporation, the Treasury agency charged with cleaning up the nation's S&L crisis. Two Republican Senators told TIME that a senior RTC official told Senate investigators that as early as March 1993 Altman asked to be kept informed of "politically sensitive" cases. Thanks to Altman's efforts, the Clintons learned the extent of the RTC's probe of Madison Guaranty Trust—the bank owned by their friend and business partner James McDougal—in early October, eight days before the Justice Department did.

For Altman, the new accounts of his disclosures to the White House could prove fatal. "Mr. Altman forgot," Senator Christopher Bond of Missouri told TIME, "that his job is to serve the nation, not just his old friend. Therefore, I believe his time is up and it's time for him to go."

Altman's shifting explanation of his behavior proves once more that the axiom is true: it is the cover-up, not the original sin, that tends to bring down government officials. But to this axiom there is a Clinton codicil. Overschooled in damage control during the 1992 campaign, Clinton White House officials have exerted a kind of obsessive reluctance at every level to just let the government do its work. Evidence is growing that rather than allowing the RTC to try to recover the $47 million in lost taxpayer funds from the officers of a failed savings and loan, the Clinton team tried to monitor the agency's investigation and prevent strangers from taking control of it. White House officials plead the alternatives: they didn't try to influence the RTC probe, and besides, the investigation proceeded without obstruction anyway.

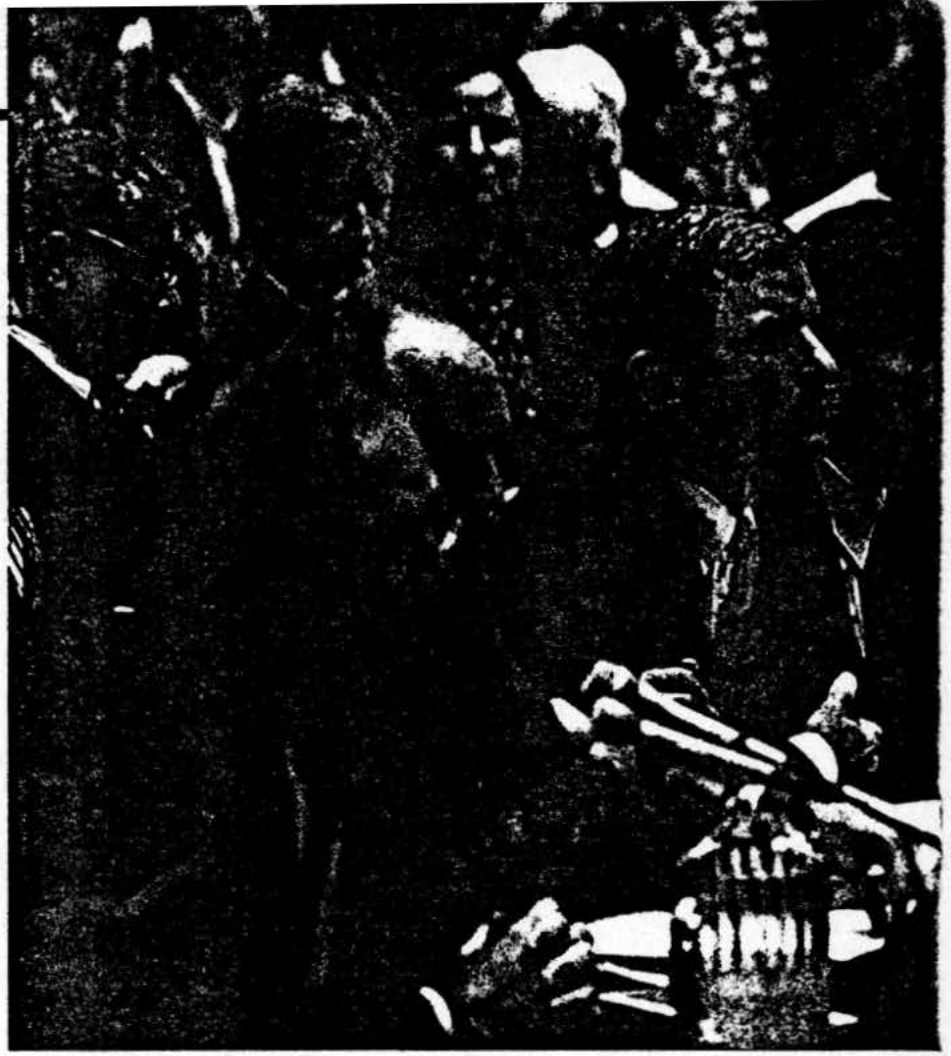
Though special prosecutor Robert Fiske has cleared Altman of any criminal wrongdoing, congressional confidence in the former Wall Street investment banker is eroding so fast that he may be forced to resign within days. Four Democrats on the Senate Banking Committee believe privately that Altman has been seriously damaged. Senators Richard Bryan of Nevada and Barbara Boxer of California worry that Altman may have misled them. Nearly all the Senators will question him closely when he



CYNTHIA JOHNSON FOR TIME

The Deputy Treasury Secretary denies he told the White House about the progress of the Whitewater probe

TERRY ASHE FOR TIME



NUSSBAUM **The former White House counsel was alerted to the Madison probe by Hanson; he saw no reason why Altman should recuse himself from heading the RTC**

appears before the committee on Tuesday.

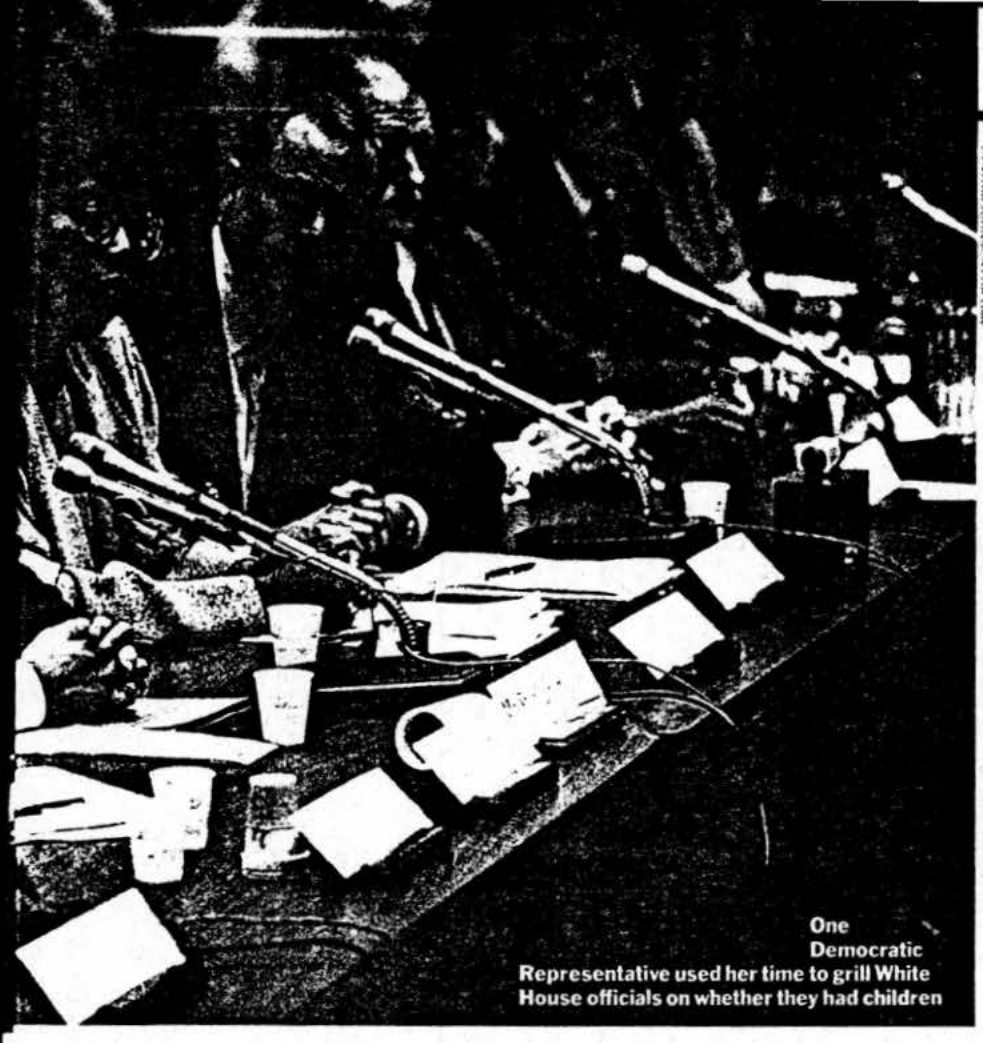
Altman's worsening predicament sullied a week that had started out looking like a rare winner for the White House. Whitewater seemed poised to fade from the spotlight: House Banking Committee chairman Henry B. Gonzales proved he could stage farce on a grand scale by holding two days' worth of hearings that were designed not to inform but conceal. Gonzales opened the session with the strong suggestion that they were a waste of time and the confident assurance that "it is doubtful that any ethical standards were violated." The chairman prevented Republicans from raising questions about most aspects of the scandal and gaveled a Congressman out of order if he exceeded a strict five-minute rule.

The White House sent chief counsel and éminence grise Lloyd Cutler to testify on the first day of hearings. Cutler's mild, 11-page account of 20 contacts between White House officials and those overseeing the federal probe of the Madison Guaranty S&L briefly seemed to take the air out of the hearings. But he had barely completed his testimony when he corrected himself, moving up by one week the time at which the White House knew the targets of the RTC's investigations. His assessment of the Clinton team's overall performance was a gentle scold: "I have concluded that there was no violation of any ethical standard, but that it would have been better if some of the issues that arose had been handled differently than they were."

A MUCH TOUGHER RECEPTION LAY waiting in the Senate, where Republicans on the Banking Committee had uncovered new details about Altman's efforts to keep himself and White House officials informed of the RTC's investigation of Madison Guaranty S&L. The Senate committee had a special reason to double-check Altman's story: at a hearing earlier this year, he repeatedly told the committee that he knew of only one meeting on the RTC case between the Treasury and the White House—on Feb. 2 of this year. Altman hewed to the line that the Feb. 2 meeting—attended by White House counsel Bernard Nussbaum and top White House staffers Harold Ickes and Margaret Williams—turned only on how the RTC normally handles cases when the statute of limitations on civil actions is about to expire. Altman said he provided no further information about the RTC's probe of the Madison failure. But his initial account was faulty; Altman amended his story four times in the next four weeks.

More revisions may be coming. Several Senators now report that Altman's interest in the Madison case began nearly a year earlier. Republican Senators who have reviewed the evidence say Altman asked RTC senior staff members on March 22, 1993, to keep him personally informed of "politically sensitive" cases. When that meeting concluded, RTC senior vice president William Roelle pulled Altman aside and informed him of the ongoing probe against Madison Guaranty. Two days later, Altman faxed a copy of a 1992 New York *Times* story on Madison and Whitewater to White House counsel Nussbaum. On Sept. 24, 1993, with Altman's original request for updates in mind, Roelle told Altman about the progress of the RTC's probe into Madison. Roelle explained that the RTC was about to send to the Justice Department nine separate criminal referrals, including at least one naming the Clintons as possible beneficiaries—wittingly or unwittingly—of illegal activity. This was sensitive information that would not ordinarily be shared with parties to potential criminal cases.

Altman told Roelle he would ask Jean Hanson, the Treasury Department's chief counsel, to call Roelle for a briefing. On Sept. 27, Roelle briefed Hanson on the case, reminding her that the sensitive information was for Altman's ears only. But Hanson



One Democratic Representative used her time to grill White House officials on whether they had children

McDOUGAL The President's ex-business partner—and founder of the failed Madison S&L—flew in from Arkansas accompanied by a student from Ouachita Baptist University

maintains Altman directed her later that day to inform Nussbaum of the development. Hanson says she complied two days later, then wrote a memo dated Sept. 30 in which she reported the contact with Nussbaum and associate White House counsel Clifford Sloan. Altman does not recall telling Hanson to brief Nussbaum and says he doesn't recall receiving a follow-up memo Hanson addressed to him. Republican Senator Bond and some of his colleagues simply don't believe Altman. "He's clearly not telling the truth," says Bond.

Secretary Bentsen, who surprisingly was neither interviewed nor deposed by special prosecutor Fiske, now faces additional questions about his role. So Cutler could prepare for the hearings, last weekend Bentsen turned over to him copies of interviews with Altman, Hanson and White House aide George Stephanopoulos that had been conducted by the Treasury's inspector general—this before the I.G.'s report had been completed. Sherman Funk, a veteran inspector general in Washington, called Bentsen's action "totally inappropriate."

Roelle's statements to Senate investigators also cast doubt on the curious contention by White House officials during the House hearings that they were entitled to otherwise confidential information about the Madison probe because they would have to deal with "press inquiries" about it. Roelle indicated in his Senate deposition that he reported to Altman in September not in response to press inquiries but because he had learned from a regional RTC office that the criminal referrals were going forward. Indeed, the first media story about the referral did not break for another month.

The White House's defensiveness about its interest in the case leads several Republican Senators to think the White House was interested not only in information but also in some measure of control over the RTC probe. During the Feb. 2 meeting, Nussbaum and other White House officials preferred that Altman not recuse himself from the RTC's Madison-Whitewater case. At the time of the session, Altman was leaning toward relinquishing his formal authority over the case, as he was advised to do by several Treasury colleagues, including Bentsen. But when the meeting got under way, the White House officials "reacted very negatively," wrote Josh Steiner, the Treasury Department chief of staff, who kept a detailed diary of the events. The White House, he noted, was very concerned about "turning the RTC" over to people the White House "didn't know." Last week his lawyer called the journal an "impressionistic" record of events; in late March, Steiner told TIME his diary was accurate.

While Altman evidently had second thoughts about his cooperation with the White House, he sometimes seemed all too willing. Several Republicans charged last week that during the Feb. 2 meeting Altman went beyond simply explaining how the RTC works; deputy chief of staff Ickes told Senate investigators that Altman had reported at the meeting that the RTC's Madison probe would not be finished by the time the statute of limitations expired on Feb. 28. That was good news to Administration officials, who presumably knew the Clintons' potential civil liability to Madison losses would expire with the deadline. Altman's disclosure, said Senator Connie Mack, a Florida Republican, was like "showing your hand to an opponent in a poker game." (As it turned out, Congress extended the deadline.)

Altman disputes the new account, saying, "No information of any kind was provided about the status of the investigation." Ickes' lawyer also disputed the G.O.P. Senators' characterization of his own testimony, saying that Ickes had only inferred from Altman that the RTC case was moving slowly. Casting more light on what Altman said in the White House on Feb. 2 will be a prime goal of Senators in this week's hearings. But many of them already believe Altman has been too damaged to continue at Treasury. —*With reporting by James Carney and Suneel Ratan/Washington, Michael Kramer/New York*

THE WEEK

JULY 24 - 30

NATION

Health-Care Maneuvers
Attempting to hammer out a passable bill, both houses of Congress grappled with drafts of health-care reform proposals. At week's end House Democratic leaders announced a bill that would provide universal coverage and require employers to pay most of their workers' insurance costs, with subsidies provided for small businesses. In the Senate, where opposition to employer payments is tougher, majority leader George Mitchell indicated he might propose that employers and workers split the cost of insurance fifty-fifty—but only as a last resort if voluntary measures fail to achieve universal coverage. Minority leader Bob Dole grumbled ominously that Republicans would not be rushed into approving a plan they didn't like.

Whitewater Hearings Open
Amid a flurry of partisan bickering, the House Banking Committee began its hearings into the Whitewater affair. A series of Administration figures offered the unsurprising testimony that they had not interfered with a government investigation of the failed S&L at the heart of the Whitewater matter. Republicans, hoping to sustain an air of scandal, charged that Administration actions nevertheless served as an example of "Me generation public ethics."

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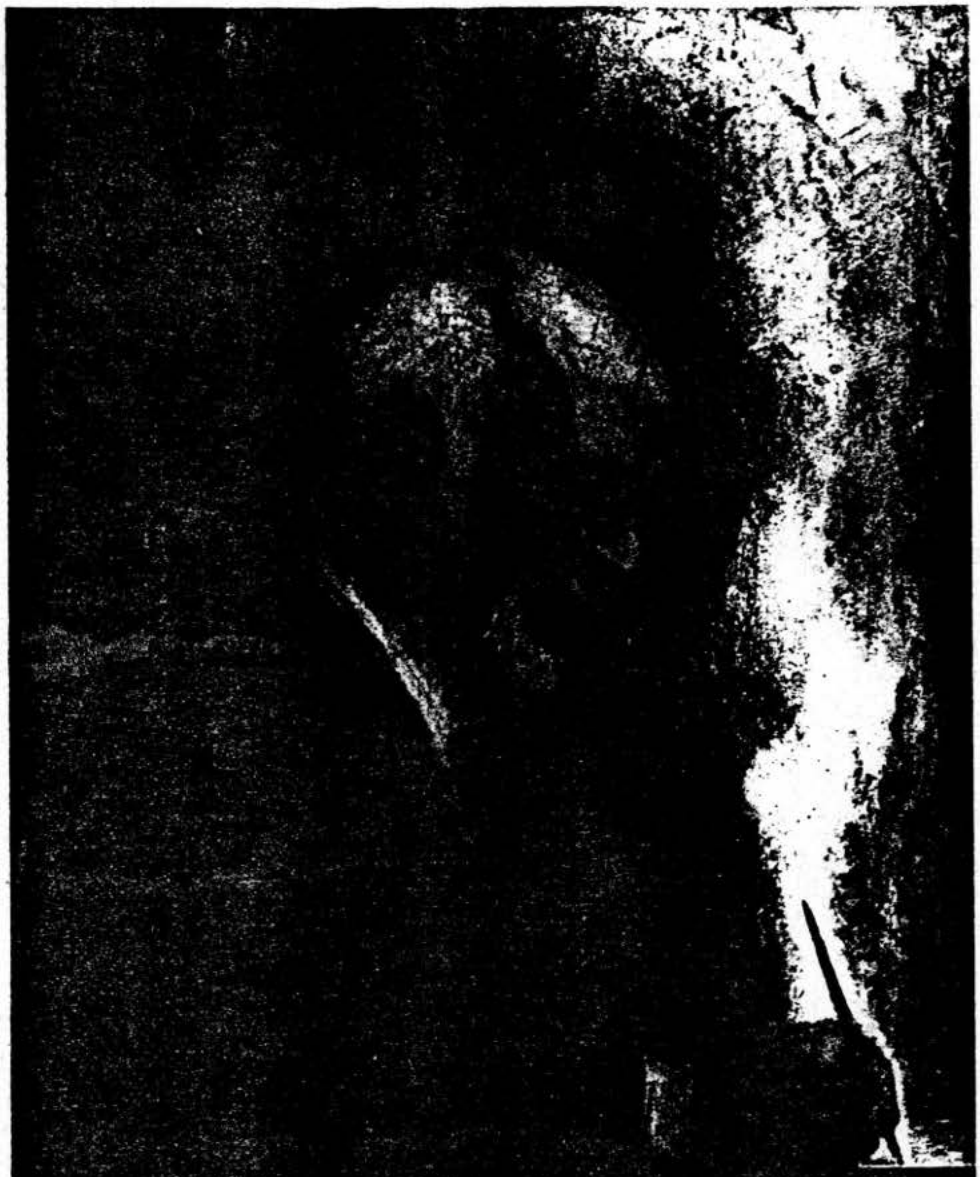
On the other side of Capitol Hill, FBI and U.S. park-police investigators affirmed before the Senate Banking Committee that the death of deputy White House counsel Vincent Foster was a suicide unrelated to Whitewater.



GREG BALENKA FOR TIME

ADROIT ROYAL OF THE WEEK: *Making a virtue out of necessity, Jordan's King Hussein took a dramatic step toward peace with Israel, his enemy of 46 years*

INSIDE WASHINGTON

PAT SULLIVAN—AP

The Secretary's High-Maintenance Ex

Housing Secretary **HENRY CISNEROS** is being sued by former mistress, Linda Medlar, who says he broke an "oral contract" to pay her $4,000 a month for damages following the exposure of their affair in 1990. Cisneros, who reconciled with his wife, denies a contract but admits giving Medlar "intermittent" $4,000 payments as well as $36,000 as a final settlement. The Secretary told TIME he leased a car for Medlar, gave her a $16,000 down payment on a house and paid her daughter's tennis-camp tuition. Medlar says she received no settlement, no car, no tuition.

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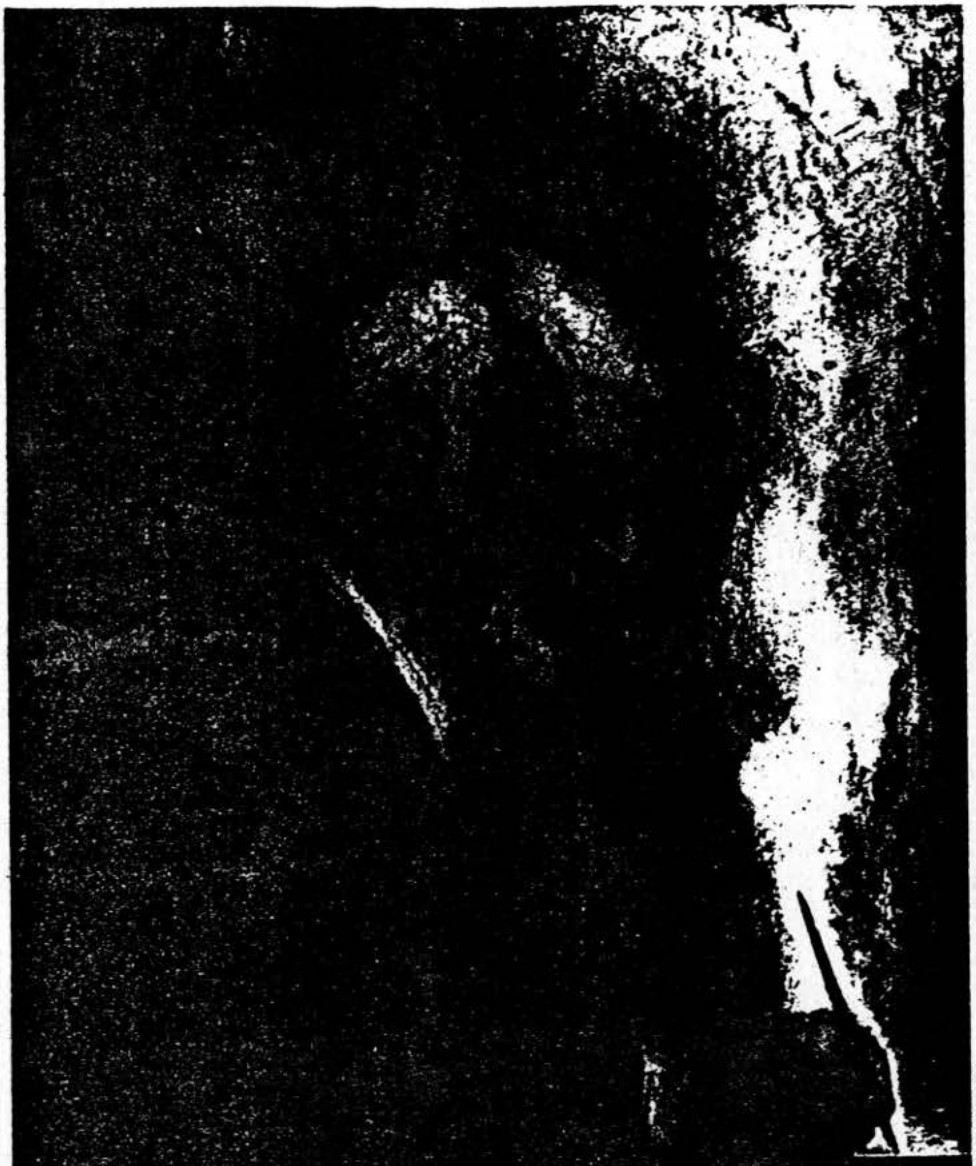

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The Secretary's High-Maintenance Ex

Housing Secretary **HENRY CISNEROS** is being sued by former mistress, Linda Medlar, who says he broke an "oral contract" to pay her $4,000 a month for damages following the exposure of their affair in 1990. Cisneros, who reconciled with his wife, denies a contract but admits giving Medlar "intermittent" $4,000 payments as well as $36,000 as a final settlement. The Secretary told TIME he leased a car for Medlar, gave her a $16,000 down payment on a house and paid her daughter's tennis-camp tuition. Medlar says she received no settlement, no car, no tuition.

PAUL CRAIG ROBERTS

Muzzled on Foster

If the same standards apply to a Democratic deputy Treasury secretary as apply to a Republican assistant secretary of state, Roger Altman would be making a plea bargain. Republican Elliott Abrams was indicted by special prosecutor Lawrence Walsh for "failing to answer fully and completely" before a congressional committee.

As the whole world now knows, so did Democrat Altman when questioned about his Whitewatergate contacts with the White House, but Robert Fiske has let Mr. Altman off the hook. Unlike Republicans, Democrats get away with murder — literally, one is tempted to say after listening to G. Gordon Liddy's radio show on Thursday, Aug. 4.

Mr. Liddy had on the air live the Confidential Witness who discovered White House Deputy Counsel Vincent Foster's body in Fort Marcy Park, Va., at 5:45 p.m. on July 20, 1993. CW said several times with emphasis that Mr. Foster's hands were palms up, thumbs out, and there was no gun in either hand. Moreover, he told this to the FBI, but Mr. Fiske explains this away in his report on Mr. Foster's death.

CW needs to be called before Congress to testify, but there is no chance that Democrats will let this happen. In the House, Rep. Henry Gonzalez, who is masterminding the Whitewater cover-up by the Banking Committee, won't even permit the muzzled Republicans to mention Vincent Foster's death.

In the Senate the investigation is about the veracity of Treasury officials. A deputy Treasury secretary is being hung out to dry in order to deflect attention away from the First Couple's Whitewater misdealings. Such an elaborately staged cover-up means there is something to be covered-up. Indeed, the narrowly focused congressional hearings suggest that an enormous amount is being covered up from Mr. Foster's death to tainted money flows back in Arkansas.

The witness who discovered the body repeatedly told investigative officials that there was no gun in Mr. Foster's hand. However, by the time the police arrived at the unattended body some 45 minutes later, there was a gun in Mr. Foster's hand — a gun without any fingerprints on it. Normally, a discrepancy of this magnitude would set off alarm bells.

But not with Mr. Fiske. Instead, Mr. Fiske has a section in his report, "Why didn't CW see a gun in Foster's hand?" In this section, Mr. Fiske puts words in CW's mouth. The report claims that "CW has further stated that the natural foliage in the area made it difficult to see Foster's hands." Perhaps I am hearing-impaired, but I distinctly heard the witness deny he said any such thing. What the witness did say was that the FBI agent badgered him with hypothetical conditions in which he might not see a gun, but these were not the conditions that he observed.

Mr. Fiske's report seizes on the hypothetical discussion, not on the witness' report of the actual conditions that he observed. I heard the witness say the police picture of Mr. Foster's right hand, palm down with the trigger guard around his thumb was "clearly and absolutely not what I saw."

Someone's lying big time about the death of the White House deputy counsel. Is it Mr. Fiske, the FBI, or the star witness? A discrepancy of this magnitude cannot be swept under the rug. It is of far more consequence than the conflicting testimony of Treasury officials about their White House meetings that is occupying the attention of Congress and the media.

The narrowly focused congressional hearings suggest that an enormous amount is being covered up from Mr. Foster's death to tainted money flows back in Arkansas.

There are other discrepancies between the witness and Mr. Fiske's report, and Mr. Fiske gives no explanation for the blond hairs and carpet fibers found on Mr. Foster's clothing and body.

In his old age, Henry Gonzalez has destroyed his reputation by blatantly abusing his power in order to cover up the political wrongdoing of others. New York Times columnist William Safire, the Wall Street Journal editorial board, and Accuracy in Media believe that Robert Fiske, too, has destroyed his reputation by participating in the cover-up.

Last Friday, Appeals Court judges David Sentelle, John Butzner and Joseph Sneed removed Mr. Fiske from the investigation by naming former solicitor general and Appeals Court judge Kenneth W. Starr as Independent Counsel. If the full dimensions of Whitewatergate are ever to be revealed, Mr. Starr will have to be a tougher investigator than Mr. Fiske.

Paul Craig Roberts, a distinguished fellow of the Cato Institute, is a columnist for The Washington Times and is nationally syndicated.

Embassy Row

by James Morrison

Dominicans respond

The Dominican Republic is rushing to defend its presidential election as the United States smells fraud and the Organization of American States fears trouble.

Jose del Carmen Ariza, the Dominican ambassador to the United States, has prepared a detailed rebuttal to critics challenging the victory of President Joaquin Balaguer, who won a seventh term in the May 16 election by a margin of about 22,000 votes out of more than 3 million cast.

"We Dominicans certainly recognize that the election was not perfect," Mr. Ariza wrote, referring to computer problems that denied thousands of Dominicans the right to vote.

"[But] the most important story is that there was a record turnout on election day when more than 3 million Dominicans, 87 percent of registered voters, went to the polls to cast their ballots."

Former Rep. Stephen Solarz, a New York Democrat who served as an election observer, charged that there were "legions of frustrated voters" who were denied the right to cast their ballots. They "appeared overwhelmingly to be supporters of the main opposition party."

The State Department last week called for new elections, and the OAS has expressed "deep concern" over the growing controversy.

But Mr. Ariza noted that an investigation conducted by his country's independent Central Election Board determined there was no evidence of fraud in the election.

Indyk to Israel?

Martin Indyk, the chief Middle East expert in the White House, is expected to be named U.S. ambassador to Israel, Reuters reported yesterday, quoting U.S. officials in Jerusalem.

Mr. Indyk heads the Middle East section at the National Security Council.

Before President Clinton took office in January 1993, Mr. Indyk headed the influential Washington Institute for Near East Policy, which has close ties to the American Israel Public Affairs Committee, a major pro-Israel group that lobbies Congress.

Secretary of State Warren Christopher, asked about the appointment during his Middle East peace mission, did not deny that Mr. Indyk would be the next ambassador to Israel.

He called Mr. Indyk "one of the most respected members of our peace team" but said any announcement "will have to come from the president."

Other officials privately confirmed that the appointment was expected to be forthcoming.

Tories' Black Prince

Don't count out John Major. The British prime minister may be low in the polls, but he doesn't have to call an election until 199 and the British economy is rebounding splendidly days.

That is the assessment of J than Aitken — Mr. Major's t Cabinet member, author of the latest book on Richard Ni and something of a rake ras cal.

"No one with any political horse sense should write John Major and his government off now," Mr. Aitken told editors reporters at The Washington Times.

"He is in trouble in the sense of having some midterm blues and midterm unpopularity. . . . But what Major has not is be sic respect and credibility."

Mr. Aitken, chief secretary of the Treasury, said, "We got the lowest rate of inflation in 25 years, the lowest interest [rates] in 17 years. The ecor is growing 3.3 percent, which is faster that anyone else in Europe."

Mr. Aitken stopped in Washington last week to talk politics discuss his biography, "Ni A Life."

"The domestic drama of Watergate . . . has to be seen alongside a career that stretches from the legacy of Yalta to the era of Yeltsin," Mr. Aitken said.

"Nixon will be seen as the finest foreign policy president i the 20th century and of the great world statesmen of the 20 century," he predicted.

Attending Mr. Nixon's funeral made Mr. Aitken remember that the late president was admired much by ordinary people as by world leaders.

"There was from way back a rapport between Nixon the working man of America," he said. "The very habits that turn people off in elite circ — his gaucheness, his sharp angles an sharp corners, insecuri — a the very things which reminded blue-collar America that he was one of them."

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

'Enough!' as Starr takes over probe

By Ronald A. Taylor
THE WASHINGTON TIMES

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White House Counsel Lloyd N. Cutler and Chief of Staff Leon Panetta said yesterday that putting a new person in charge of the Whitewater investigation at this stage may result in a needless re-examination of the case.

"I think it's a waste of time and taxpayers' money," Mr. Cutler said on CBS-TV's "Face the Nation."

The two top Clinton advisers, reacting to the appointment of Kenneth W. Starr as independent counsel, pledged to cooperate but expressed concern that Mr. Starr will re-examine evidence collected by Robert B. Fiske Jr., the special counsel he replaces.

"We have nothing to hide in this situation, but we would hope that there is a point at which enough is enough," Mr. Panetta said on NBC's "Meet the Press."

"I would hope he would review all of the files. He has an obligation to do that. But I hope we don't tramp over old territory time and time and time again," he said. "The bottom line is that we've been through a number of investigations now."

Meanwhile, Sen. Phil Gramm, Texas Republican, said yesterday that Mr. Starr should reopen the inquiry into contacts between the White House and the Treasury Department on Whitewater.

"I think they should go back and look at parts" of te: timony before

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STARR

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the Senate and House banking committees, he said on "Face the Nation."

Sen. Alfonse M. D'Amato of New York, ranking Republican on the Senate banking committee, also has urged Mr. Starr to re-examine statements by Deputy Treasury Secretary Roger C. Altman, General Counsel Jean Hanson and Chief of Staff Joshua Steiner. The three contradicted one other on a number of points during committee hearings.

In pursuing an inquiry into whether any of the witnesses lied, Mr. Starr could use their sworn testimony. "That would be powerful evidence that could make a case very easy to win," former U.S. Attorney Joseph diGenova, an independent counsel in an unrelated matter, told Scripps Howard News Service.

While Mr. Cutler pledged to cooperate with the new independent counsel, he was critical of the process that resulted in Mr. Starr's appointment.

"I'm not criticizing what the court did at all," he said, but he rejected its conclusion regarding Mr. Fiske that "there is not sufficient independence to give the public satisfaction and therefore they have to appoint someone else."

Both men pointed out that Attorney General Janet Reno named Mr. Fiske, a Republican, to the post because the independent counsel law had not yet been renewed.

Mr. Cutler invoked the politically partisan aspect of the situation as he noted what he called a "bit of irony" to Mr. Fiske's being replaced.

"All of the Republicans praised the appointment. He's a very good Republican criminal lawyer and ex-prosecutor himself. Everyone believes, I think, he has done an excellent job," he said.

The surprise replacement of Mr. Fiske with Mr. Starr, whose name had surfaced several times as a Supreme Court candidate, drew skepticism from a key Senate member.

"I believe that his ability and integrity is unquestioned — and I don't question it, but I do question the rationale of the court," Senate Majority Leader George Mitchell said on ABC's "This Week."

"The court said that, in this case, the appearance of independence caused it to remove Mr. Fiske. But they replaced him with someone who has been an active Republican, who was a high-ranking appointee in the previous administration . . . and been active in Republican politics," he said.

"I think that there's a heavy burden now on Mr. Starr to be as fair and impartial as he says he will be, and I hope that he will be," the Maine Democrat said.

Mr. Starr, speaking to reporters yesterday in New Orleans, where he is attending the American Bar Association's annual meeting, said: "I am accustomed to setting aside my personal views and [to] concentrate on doing a job and being absolutely fair and impartial. That's my goal. My duty is to go forward with an independent mind; that's what judges do."

Mr. Starr said Saturday he did not know whether he will simply review Mr. Fiske's work or restart the investigation.

A fresh start could drag out the investigation, Mr. Cutler said. "Of course, it is up to him, but human life being as short as it is, and political terms being as short as they are, I would think, if he goes back to the very beginning, this will never be done," he said.

The Clinton administration should be encouraged by the Starr appointment, Mr. Gramm said. "I think that ultimately the process and the president will benefit from the fact that now no one can ever charge that there was a whitewash on Whitewater," the Texas Republican said.

"While this decision was a shocking decision to the country, that when you look at it, what it says is this person is now totally independent," he said of Mr. Starr.

Mr. Gramm also said that Mr. Altman, along with Mrs. Hanson and Mr. Steiner, should be fired.

"I think enough questions have been raised about the veracity of their testimony before the banking committee that it is permanently going to undercut their ability to work with the Congress, it's going to hurt the Treasury Department," he said.

Mr. Cutler and Mr. Panetta rejected firing anyone who testified during the past two weeks, noting that Mr. Fiske found no evidence of criminal wrongdoing in the White House-Treasury contacts on Whitewater.

"Everyone answered the questions. Everyone presented their viewpoint with regards to the issues. No one ducked the questions. They have done a good job for this administration. We're going to stick with them," Mr. Panetta said.

Under questioning, he muted that vote of confidence. "Everyone serves at the pleasure of the president, everybody makes up their own mind as time goes on, but at this point in time we have full confidence in these individuals," he said.

Lloyd Cutler says a new probe of Whitewater would be "a waste."

Mr. Cutler said Mr. Altman has made amends for his misjudgments.

"Mr. Altman has now testified for God knows how many hours before the House and Senate, has apologized, has shown a good deal of contrition for the time it took him to correct the record after his testimony. And I would think he's suffered enough," Mr. Cutler said.

MONA CHAREN

Lying reprise . . . as the plot thickens

Should Roger Altman go to jail?

The question presents itself because last week's Senate Whitewater hearings point toward one very obvious conclusion: Deputy Treasury Secretary Roger Altman lied to Congress. (And Treasury Chief of Staff Josh Steiner lied to his diary!) Mr. Altman had been asked about contacts between Treasury officials and the White House regarding the Whitewater investigation and had said, categorically, that there had been only one substantive meeting. He now acknowledges that this was not true (some accounts put the number of meetings at 40), and he wishes that he had "done better" when he testified incompletely.

Remember the resonance the words "lying to Congress" had during the Iran-Contra affair? When Assistant Secretary of State Elliott Abrams and others were accused of it, the thundering indignation of Democrats and Republicans alike shook the nation. The republic could not endure, they intoned, if executive branch officials couldn't be counted upon to tell Congress the truth.

Actually, in the case of Mr. Abrams, what he was ultimately accused of, by Independent Counsel Lawrence Walsh, was "contempt of Congress," demonstrated by his failure to disclose everything he knew about fund-raising efforts for the Nicaraguan Contras. (The sultan of Brunei had kicked in a contribution. Mr. Abrams knew this but failed to mention it when he testified before Congress.)

Lying to Congress is not to be encouraged. It does impede the orderly functioning of government, and it isn't honorable. It is, however, somewhat traditional. Mr. Abrams' book, "Undue Process," provides a short historical survey.

In 1958, Secretary of State John Foster Dulles testified before Congress that the CIA had nothing to do with the civil war in Indonesia. President Eisenhower repeated the assertion that we were staying neutral. Proof of CIA assistance to anti-government forces came when a U.S. pilot was shot down over Indonesia with documents proving his mission.

In 1964, Secretary of Defense Robert McNamara testified on the subject of the Tonkin Gulf incident. "Our Navy," he insisted, "played absolutely no role in, was not associated with, was not aware of, any South Vietnamese action, if there were any." Most historians now believe that was a lie.

Actually, it is possible to conclude that Mr. McNamara made quite a career of lying to Congress. During the Cuban Missile Crisis, President Kennedy, as part of his secret negotiations with Premier Khrushchev, agreed to remove U.S. missiles from Turkey. The Kennedy team, in an Oval Office meeting, decided to keep this concession a secret. Later, testifying before Congress, Mr. McNamara was asked, "Are you aware of any agreement . . . to Khrushchev that if he would withdraw . . . the U.S. would thereby commit itself to any particular course of action?" Mr. McNamara replied, "I am not only unaware of any agreement, it is inconceivable to me that our president would enter into a discussion of any such agreement. Moreover, there were absolutely no undisclosed agreements with the withdrawal of Soviet missiles from Cuba." In addition to the concession on missiles in Turkey, the Kennedy administration agreed not to invade Cuba again.

Now, Roger Altman did not lie to Congress to avert nuclear war. He seems to have done it to spare the president political embarrassment and trouble. If he were a Republican, would he be facing criminal indictment?

The just-dismissed Independent Counsel, Robert Fiske, was obviously not as intent on getting "scalps" as was Lawrence Walsh. Accordingly, he did not threaten Mr. Altman with indictment — though substantively, there is little difference between his conduct and that of Mr. Abrams.

Mr. Altman should remain free. The criminal prosecution of the defendants in the Iran-Contra affair was an outrage. Congress is not without remedies when executive branch officials are caught lying. The Senate Banking Committee can decline to hear testimony from Mr. Altman in the future (thus pressuring the president to fire him). Or, if its members want to get really tough, they defund the office of deputy Treasury secretary.

But just as presidents are not prosecuted criminally for decisions that may cost people their lives and fortunes, administration officials should not be prosecuted for political crimes. Lying to Congress, however disgraceful, is a political crime, not a real crime. It merits political punishment — perhaps an art that politicians in Washington need to relearn.

Mona Charen is a nationally syndicated columnist.

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GOP groundswell questioned Fiske's effort in inquiry

By Jerry Seper
THE WASHINGTON TIMES

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GOP criticism of special counsel Robert B. Fiske Jr. erupted into a firestorm last month as some Republicans accused him of not mounting an aggressive investigation of the Whitewater affair and potential conflicts of interest.

In congressional speeches and in letters to the judge overseeing independent counsels and to Attorney General Janet Reno, Republicans challenged the thoroughness of Mr. Fiske's six-month investigation and questioned his independence from the Clinton administration.

"I wrote the attorney general on July 1, the day after President Clinton signed the Independent Counsel Act into law, urging her not to recommend Robert Fiske [for the post] ... because of his multiple conflicts of interest," said Sen. Lauch Faircloth, North Carolina Republican, a vocal Fiske critic during six days of hearings before the Senate banking committee.

A three-judge U.S. Court of Appeals panel replaced Mr. Fiske on Friday, naming former Bush administration Solicitor General Kenneth W. Starr as independent counsel for the Whitewater investigation.

While the court did not address the content or completeness of Mr. Fiske's inquiry, others have. The debate promises to be an ongoing

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battle between conservatives, who applauded the Starr appointment, and liberals, who suggested partisanship in the selection.

At least a dozen Republican congressmen and some conservative activists wrote to Judge David B. Sentelle of the U.S. Court of Appeals for the D.C. Circuit, who oversees independent counsels, to oppose Miss Reno's recommendation of Mr. Fiske as independent counsel.

Seeking to show what House banking committee member Spencer Bachus called Mr. Fiske's "non-independence" and "unaggressive counsel" in the Whitewater inquiry, they noted:

- He represented Prudential-Bache and Smith Barney Shearson, firms involved in bond underwriting for the Arkansas Development Finance Authority (ADFA) while Mr. Clinton was governor. ADFA has surfaced as a player in the Whitewater probe.
- He had a professional relationship with Bernard W. Nussbaum, the White House counsel who resigned over his handling of White House-Treasury Department contacts in the Madison Guaranty Savings and Loan Association case. The two worked together as legal counsels in at least two separate cases.
- His law firm represented International Paper Co., which sold land to Whitewater Development Corp., a partnership involving Mr. Clinton, Madison owner James B. McDougal and their wives. A third of a $300,000 loan to Mrs. McDougal was used to buy the land.
- While in private practice in New York, he was consulted by Mr. Nussbaum on two Clinton appointees, including FBI Director Louis J. Freeh. Mr. Fiske also recommended Mr. Nussbaum for a job with Iran-Contra independent counsel Lawrence E. Walsh.
- He collaborated with Washington lawyer Robert Bennett in the defense of Clark Clifford and Robert Altman in the Bank of Credit and Commerce International (BCCI) case. Mr. Bennett now represents Mr. Clinton in the Paula Corbin Jones sexual harassment lawsuit.
- His suicide ruling in the July 1993 death of White House Deputy Counsel Vincent W. Foster Jr. left what Rep. Dan Burton, Indiana Republican, described as "several loose ends" — even if the conclusion was proper. Mr. Burton said Mr. Fiske did not address errant bloodstains, the source of hair and carpet fibers on Mr. Foster's clothing, semen stains on his undershorts, and the lack of skull fragments at the scene.

Congressional sources also said the Senate banking committee's Whitewater hearings may have helped speed Mr. Fiske's departure. They said Senate investigators uncovered more information in five weeks than Mr. Fiske did in six months on White House-Treasury contacts.

Sen. Orrin G. Hatch, Utah Republican, supported that claim in a statement Friday: "It is clear from the evidence that there were areas of investigation that [Mr. Fiske] and his staff never pursued."

Congressional investigators, in 37 depositions, uncovered 40 White House-Treasury contacts, compared with 20 listed by Mr. Fiske and three initially acknowledged by Deputy Treasury Secretary Roger C. Altman.

Democrats suggested privately yesterday that Mr. Starr's ties to the GOP are too close and long-standing to ensure his investigation will be fair and impartial.

In 1983, Mr. Starr was appointed by President Reagan to the U.S. Court of Appeals for the D.C. Circuit. Six years later, he was named by President Bush as solicitor general. He also was on the "short list" twice for the U.S. Supreme Court during the Bush administration, for the seats filled by David Souter and Clarence Thomas.

Democrats also said Mr. Starr's comments earlier this year about White House efforts to freeze the Jones suit until Mr. Clinton left office were "astonishing" and "unprecedented."

"There appears to be a problem of partisanship that may find its way to this investigation," said an aide to a key Democrat on the Senate banking committee. "It is worrisome."

Sources close to the Jones suit told The Washington Times Mr. Starr had discussions with Mrs. Jones' attorneys on the constitutional issues in the case and on his reasoning that the presidency was not immune from lawsuits.

Mr. Starr, 48, told PBS' "MacNeil-Lehrer News Hour" in late May it was "a very serious step to take to say the president of the United States is simply too busy to respond to lawsuits the way others have to, even if we're willing to bend over backward to protect his schedule."

In June, sources said Mr. Starr was planning to file a legal opinion in the Jones case, although he told reporters yesterday in New Orleans at an American Bar Association meeting he had "authored no brief and nothing has been filed." But he did not deny having discussed the matter.

Mr. Fiske, who has denied any conflicts of interest in the Whitewater case, on Friday pledged a "speedy and orderly transition."

Mr. Fiske was wrapping up the so-called "Washington phase" of his investigation — obstruction-of-justice charges against White House officials in the handling of Mr. Foster's papers after his death — when the Starr appointment was announced.

The court did not suggest Mr. Fiske's inquiry had been deficient. Instead, it quoted the Independent Counsel Act, signed into law by Mr. Clinton on June 30, as mandating Mr. Fiske's disqualification.

"As Fiske was appointed by the incumbent administration, the court therefore deems it in the best interest of the appearance of independence contemplated by the act that a person not affiliated with the incumbent administration be appointed," the court said.

A federal grand jury in Little Rock is probing suspected illegal financial ties between Madison and Whitewater. It is looking into accusations Madison funds were improperly diverted to Whitewater and to Mr. Clinton's 1984 gubernatorial campaign. Madison was closed by federal regulators in 1989 at a cost to taxpayers of $50 million.

The grand jury also is looking into accusations that Mr. Clinton pressured a former Little Rock judge, David L. Hale, for the $300,000 loan through Capital Management Services Inc.

The White House, in a statement, said the administration will "cooperate fully with Mr. Starr." But some officials acknowledged concern over the appointment, and administration officials have reacted angrily in the past to Republican appointees in the Whitewater matter.

In February, White House Deputy Chief of Staff Harold Ickes and senior White House adviser George Stephanopoulos made angry calls to Treasury when the RTC named former U.S. Attorney Jay B. Stephens, a Republican, to investigate civil claims in the Madison case.

Treasury Chief of Staff Joshua Steiner's diary, which surfaced in the Whitewater hearings, said Mr. Ickes and Mr. Stephanopoulos sought to "get rid" of Mr. Stephens

Whitewater's false echoes of Watergate

Presidential coup against constitutional government was unique.

By Daniel Schorr, senior news analyst for National Public Radio.

"What did the president know and when did he know it?" thundered Sen. Alfonse D'Amato at one point during the Whitewater hearings, rousing me out of my reverie about the resignation of President Richard M. Nixon 20 years ago.

There came flooding back the memory of Nixon on Aug. 8, 1974, one step ahead of the impeachment sheriff, resigning as though frustrated by some policy dispute with Congress — and next day bathing himself in self-pity about having been plunged into "the deepest valley."

Watching Whitewater and thinking about Watergate was an almost-surreal experience. If the lesson of Watergate is not to be lost on a younger generation, it is important to emphasize the difference.

The recent congressional hearings have been restricted to "the Washington phase" — White House-Treasury contacts and the suicide of counsel Vincent Foster. But essentially the investigation concerns what the Clintons may have been involved in back in Arkansas in terms of a real estate venture, dealings with a failing savings and loan and commodity trading.

Few of our presidents come to the White House entirely clean of the corruption of home-town and home state politics. But once in an office invested with vast powers and great majesty, they are expected to put all that behind and serve the nation.

Watergate was about a president who betrayed his trust to engage in criminal activity in the White House. Nixon instigated, or at least inspired, break-ins, wiretaps, surveillance and plans to use government as an instrument of reprisal against his "enemies." The posthumously published diaries of his former chief of staff, H.R. Haldeman, record the president's incessant demands to have his foes targeted by the Internal Revenue Service and Justice Department.

Then, fearing he would be caught, Nixon was willing to suborn perjury, pay h money, create scapegoats and stifle an FBI investigation.

In effect, he mounted from the nmit of government a coup against the constitutional functioning of government.

I say this, I think, without persc mus. He had the FBI investigate me, I appeared on his "enemies list." But I respected his 20-year effort at rehabilitation — a campaign for ex-president — and during his final months we had a personal reconciliation.

But the conspiracy that ended in Nixon's resignation 20 years ago today a unique event in American history, making a mockery of attempted comparisons with all the ensuing "gates," up to and including Whitewatergate.

To paraphrase Lloyd Bentsen on Dan Quayle, "I knew Watergate. It was not my friend. But believe me, Whitewater is Watergate."

Daniel Schorr covered the Watergate affair for CBS News and has narrated a five-part retrospective on the cable TV Discovery Channel.

Help 'silent witnesses'

Every day and every night in the USA, too many children witness too much violence. Not on the streets but in their own homes. Not the make-believe of TV but the rage and brutality of their own parents.

Often, these silent witnesses of horrendous violence go unnoticed — by police, the courts and society. Some are just babies and others are too scared to speak, so counting numbers is difficult. But between 3.3 million and 10 million kids witness domestic violence every year in the USA.

People tend to ignore these numbers until a celebrity case such as O.J. Simpson's comes along. Even then, they tune in only when it reaches extraordinary proportions.

Then, questions get asked. Was there any way that little Justin and Sidney Simpson could have lived in the house of Nicole and O.J. and *not* heard the profane shouting, the screaming and the crying, *not* seen what prompted repeated 911 calls for help?

For millions of other children, such questions never get asked.

The American Bar Association reviewed society's treatment of kids in violent homes. Its conclusion, released Sunday: "All too often law enforcement and judicial actions fail to meet the needs of children."

ABA offers some common-sense fixes.

First, get everyone working together for the victims. Today, courts dealing with different aspects of family violence don't even talk to each other. You can read more about that on the opposite page.

Second, get tougher on abusers. Have mandatory arrest for violation of protective orders. Ban guns for those convicted of domestic violence or child abuse.

Third, provide specialized counseling and education to help these kids learn to live with unforgettable memories.

Locally, some groups already facilitate legal remedies for battered families.

There's a booth in Chicago's county courthouse that assists violence victims with immediate restraining orders to keep the batterers away from their kids.

In New Hampshire, emergency rooms show a videotape urging victims of domestic violence to seek legal help.

In Minneapolis, a multi-lingual program gives advice on protection and child custody to non-English speaking victims.

Such remedies tackle tiny pieces of enormous problems caused by domestic violence. Cash-strapped cities and states may have to shuffle budgetary priorities for more comprehensive solutions.

Such investments reap priceless dividends: safe kids, healthy kids, kids who want to grow up to be better adults.

Whitewater counsel switch may lengthen probe

By Dennis Cauchon and Judy Keen
USA TODAY

Despite a weekend retreat to Camp David, President Clinton just cannot find a moment's peace from Whitewater.

Kenneth Starr, a high-ranking Bush administration lawyer, takes over this week as the new Whitewater independent counsel amid questions about whether his appointment is fair to Clinton.

His surprise hiring came Friday after a bruising week of Whitewater hearings. In those hearings, even Democrats accused Clinton aides of lying to Congress.

Then, a three-judge panel named Starr to replace Robert Fiske, who had run the Whitewater investigation since January. The judges had the power to make the change under a new special prosecutor law. It said Fiske's appointment by Clinton's attorney general, Janet Reno, raised questions about his independence.

The chairman of the panel is federal appeals court judge David Sentelle, a former Republican activist from North Carolina and an ally of Sen. Jesse Helms, R-N.C.

The White House grumbled privately about Starr's appointment, but aides promised to cooperate. Publicly, Clinton aides said they were worried the switch would cause the investigation to drag on:

▶ "There is a point at which enough is enough," said White House chief of staff Leon Panetta on NBC's *Meet The Press*.

▶ "It's a waste of time and taxpayers' money," said White House counsel Lloyd Cutler on ABC's *This Week With David Brinkley*.

Whitewater is a wide-ranging controversy that involves Madison Guaranty Savings & Loan, a failed thrift owned by a former partner of the Clintons.

In June, Fiske finished investigating White House contacts with S&L regulators investigating Madison Guaranty. He found no criminal wrongdoing.

Starr hasn't decided whether to accept Fiske's work or start over. He will meet Tuesday with Fiske. He promised to be fair: "I'm accustomed to setting aside personal views and concentrating on doing a job and being absolutely fair and impartial."

Starr, 48, a minister's son, was solicitor general for President Bush. He argued the government's case before the Supreme Court.

By Greg Gibson, AP
FISKE: Probe found no wrongdoing

Since leaving the Justice Department, when Clinton took office, Starr considered running for the U.S. Senate Republican slot in Virginia. It went to Iran-contra figure Oliver North.

He also talked publicly about filing a court brief opposing Clinton in the Paula Jones sexual harassment case. Starr opposes Clinton's claim of temporary presidential immunity.

Although he is regarded as ambitious, Starr is not viewed as overly political. Most Democrats and Republicans say he is articulate and fair.

"I consider him a smart and competent guy," said Mark Gitenstein, former Democratic counsel to the Senate Judiciary Committee. "The real question is what's going to happen to all Fiske's work. Either way, it's going to cost a lot of money." Fiske's investigation had cost about $2 million so far.

Fiske had recruited a staff of a dozen young and talented lawyers to Little Rock to work on the case. Many had worked for him before and are expected to leave.

"Fiske was the perfect independent counsel, a legitimate non-partisan figure and one of the great prosecutors," said Charles Rothfeld, a lawyer who worked in the Reagan Justice Department. "Getting rid of him is kind of a ridiculous thing to do, a waste of (seven) months worth of work."

Fiske's dismissal hit his staff hard.

"Initially, it was a real shock. We were very upset and disappointed," said Michele Corelli, Fiske's personal secretary for 18 years. "But this is now Sunday. We've recovered and life goes on."

A handful of conservative Republicans had complained Fiske wasn't aggressive enough. They wrote the three-judge panel and asked for Fiske's removal.

"Fiske was doing some damage control work or at least there was the appearance of it," said Rep. Dan Burton, R-Ind.

Corelli disagreed: "We were really into it and were making great progress."

Despite their anger at the choice of Starr, Democrats won't complain publicly. "It's like a farmer worrying about the rain: It's a big fact of life and you can't do anything about it," said Clinton adviser Paul Begala.

▶ Comment, 10A

...DAY AUGUST 8, 1994 · USA TODAY

THE WALL STREET JOURNAL MONDAY, AUGUST 8, 1994

REVIEW & OUTLOOK

Next, Empower the Minority

Kenneth Starr's appointment as independent counsel for Whitewater at least provides the opportunity for a new look, but in truth the problem with the post far transcends Robert Fiske. Whatever his name or views, an independent counsel has too heavy a load to carry. The answer to the Constitutional question of how to investigate political scandals is more likely to be found in Rep. James Leach's lawsuit to compel agencies to cooperate with investigations by the Congressional minority.

For an independent counsel we much prefer, as we have said from the first, someone who was never a lawyer to BCCI figures. And we devoutly hope that Mr. Starr will adopt the attitude toward Congress expressed by Lawrence Walsh and Judge Charles Richey, that an independent counsel should respect the Congressional prerogative to investigate. Congressional oversight is a powerful investigatory tool more likely to advance than impede criminal probes—even, as we've seen in the last week, when limited by Mr. Fiske's strictures.

Still, we have now had two awful experiences with independent counsel. First Mr. Walsh's Ahab-like quest for the Iran-contra whale, and now Mr. Fiske's damper on public accountability for the conduct of justice and banking regulation. This should warn everyone that something is wrong with the conception for the office, as we have in fact argued from the outset. A prosecutor is supposed to follow criminal procedure rule 6 (e), keeping grand jury testimony secret except in an indictment or trial. Yet we expect independent counsel also to inform the public about the scandals we hand them. While we admire Mr. Starr, even he cannot follow these two masters.

We would do better to stop searching for philosopher kings to deal with our scandals. Thankfully, our government does not depend on virtue but on checks and balances. The founding fathers may not have anticipated organized political parties, but they very well understood both the dangers and uses of factions. While partisanship is out of fashion in today's conventional wisdom, who but the minority is to scrutinize the majority?

In Federalist No. 10 Madison observed that factions simply cannot be eliminated from government. He further warned, "It is in vain to say that enlightened statesmen will be able to adjust these clashing interests and render them all subservient to the public good. Enlightened statesmen will not always be at the helm." The alternative Madison elaborated in the Federalist No. 51:

"Ambition must be made to counteract ambition. The interests of the man must be connected with the constitutional rights of the place. It may be a reflection on human nature that such devices should be necessary to control the abuses of government. But what is government itself but the greatest of all reflections on human nature?" Madison concluded, . "In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige to control itself."

Rep. Leach's lawsuit before Judge Richey goes to the heart of this great issue of checks and balances. As ranking member of the House Banking Committee, he seeks to compel the Resolution Trust Corp. and Office of Thrift Supervision to honor his request for Whitewater documents, over the objection of Chairman Henry Gonzalez. The issue, in short, is whether the Congressional majority can frustrate an investigation by the minority. The agencies take the position that Rep. Leach is only an individual Congressman, with no more rights than a private citizen.

Put in balder terms, John E. Ryan, the acting CEO of the RTC whose resume we detailed last week, declares that his obligation to Congress begins and ends with Chairman Gonzalez, whose performance at the hearings led the New York Times to brand him a "court jester." Jonathan Fiechter, acting director of the OTS also never subject to Senate confirmation, takes the same position. The facts of the case cry out for some recognition of Mr. Leach's position as "shadow chairman" of the committee overseeing these agencies.

Parliamentary governments have a "question hour," forcing incumbent administrations to respond to the minority. For that matter, the independent counsel act itself gives the minority a right to trigger an investigation, recognizing its special role in policing the majority. And if it is to fulfill this role, surely the minority needs access to information.

Align the interests of the man with the Constitutional rights of the place, Madison suggested. The public's interest in policing its government is parallel to the minority's interest in discovering wrongdoing by the majority. We can let Mr. Starr or Mr. Fiske or Mr. Walsh clean up criminal cases, but we need not ask them to be philosopher kings and also inform the public. We can do the latter simply enough by empowering the minority with its own right to inquire and investigate.

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New Counsel for Whitewater Inquiry Poses New Risks to Clinton Presidency

By Viveca Novak
Staff Reporter of The Wall Street Journal

WASHINGTON — For President Clinton, the appointment of Kenneth Starr to conduct the Whitewater investigation adds to the risk that the politically awkward inquiry will further weaken his presidency.

The surprise decision of a three-judge panel to pull Whitewater special counsel Robert Fiske off the case and replace him with Mr. Starr, a former Bush administration official, is certain to delay the look into the repercussions of an Arkansas land investment Bill and Hillary Rodham Clinton made more than 16 years ago.

White House officials, stunned by the news late Friday, are particularly worried that Mr. Starr will reopen two phases of the investigation that Mr. Fiske had closed without finding any grounds for further legal action. He had cleared White House and Treasury officials of any criminality in discussing a possible criminal case involving a failed Arkansas thrift, Madison Guaranty Savings & Loan, and he found that former White House lawyer Vincent Foster had died by suicide.

Congress just completed a week of politically embarrassing hearings on these two questions.

"I hope we don't tramp over old territory time and time and time again," White House Chief of Staff Leon Panetta said on NBC's "Meet the Press" yesterday. Mr. Panetta said that "we're going to fully cooperate" with Mr. Starr. "We have nothing to hide."

Democrats expressed concern that the selection of Mr. Starr would make the Whitewater affair even more partisan. Mr. Starr, currently a partner in the law firm of Kirkland & Ellis, is a conservative Republican who argued the Bush administration's positions before the Supreme Court as solicitor general. He considered running for the U.S. Senate in Virginia and recently said he planned to file a friend-of-the court brief in a sexual harassment case against Mr. Clinton, arguing that a sitting president shouldn't be immune from prosecution for actions before he took office.

"I do question the rationale of the court" in selecting "an active Republican" under a restored independent-counsel law, said Senate Majority Leader George Mitchell on ABC's "This Week With David Brinkley" television show yesterday. "I think there is a heavy burden now on Mr. Starr to be as fair and impartial as he says he will be."

Yesterday, Mr. Starr was in New Orleans for the annual meeting of the American Bar Association. He spoke at a reception to introduce a report critical of the ABA by the Federalist Society, a conservative organization. Asked whether he could maintain his independence given his past ties to the Republican Party, Mr. Starr said: "I am accustomed to setting aside my personal views and concentrating on doing a job and being absolutely fair and impartial. That's my goal, and that's what I intend to do."

Both Mr. Fiske and Mr. Starr are Republicans. Mr. Fiske was selected by Attorney General Janet Reno last year to serve as a special counsel because Congress hadn't yet re-enacted a law providing for the judicial appointment of an independent counsel. Mr. Starr was one of the people Ms. Reno considered before appointing Mr. Fiske, a former prosecutor, Justice Department officials said.

The law allowing a panel of judges to appoint an independent counsel to investigate alleged crimes by government officials expired during the Bush administration. Republicans, angered by the use of independent counsels to investigate possible illegal acts during the Reagan years, had opposed continuing the law. Mr. Clinton supported re-enactment of the law and, with a Democrat in the White House, some Republicans changed their minds.

Mr. Clinton signed the new independent counsel law on June 30, the same day Mr. Fiske issued his report clearing administration officials of criminal wrongdoing in the first two phases of his inquiry.

A panel of three federal appeals-court judges appointed by Chief Justice William Rehnquist administers the law. Ms. Reno had asked the panel to make Mr. Fiske the independent counsel so he could complete the investigation he has spent more than six months and $2 million on. But a group of conservative Republicans in Congress wrote the judges to oppose the Fiske appointment.

"It is not our intent to impugn the integrity of the attorney general's appointee, but rather to reflect the intent of the act that the actor be protected against perceptions of conflict," the judges wrote in arguing that a counsel appointed by the attorney general to investigate her boss couldn't be considered completely independent under the law.

The panel's chairman is Judge David Sentelle, who was appointed to the appeals court here by President Reagan. The other judges are Nixon appointee Joseph Sneed in San Francisco and Johnson appointee John Butzner in Richmond, Va.

In brief comments to reporters on Saturday, Mr. Starr promised to be objective. "I have tried all my life, in all my public activities, to be fair-minded," he said. "I'm confident that I'm going to be completely fair about this."

Mr. Starr said he'll meet with Mr. Fiske as soon as possible.

Last spring Mr. Fiske said he hoped to complete his investigation in a year, a schedule that seemed improbably ambitious. No matter how quickly Mr. Starr familiarizes himself with the case, the investigation is likely to take considerably longer. "To appoint a new person, however distinguished, means a loss of time unless the person keeps the staff," said Lawrence Walsh, former Iran-Contra independent prosecutor. "And if he does keep the staff, that belittles the conflict of interest" that the judges implied when they rejected Attorney General Janet Reno's request to name Mr. Fiske independent counsel.

"It's always disturbing to the relationship between a prosecutor and his witnesses to have such an abrupt change," Mr. Walsh added.

Mr. Fiske had been close to completing work in a third area, the handling of the contents of Mr. Foster's office after his death. Originally that had been expected to be part of his June report. He wasn't expected to find any criminal misdeeds in this dispatch either, but people close to the investigation have said it could contain material embarrassing to the administration.

Other parts of the investigation are focusing on more central questions: Were federally insured bank deposits used to help Mr. Clinton's political and business activities? Did Little Rock's Rose law firm, where both Mrs. Clinton and Mr. Foster were partners, violate any laws in connection with work performed for federal agencies? Were funds from a federally guaranteed Small Business Administration loan used improperly to support the Whitewater development?

Mr. Clinton has denied any wrongdoing, and no government agency has leveled charges against him. But investigators at the Resolution Trust Corp., newspaper articles and Clinton opponents in Congress and out have suggested that federally insured funds in Madison may have been used improperly to finance Mr. Clinton's political campaigns and Whitewater investment when he was governor of Arkansas.

Even if Mr. Starr doesn't explicitly reopen Mr. Fiske's earlier investigations, he's likely to compare statements made by White House and Treasury officials during a week of congressional hearings with their earlier testimony to a federal grand jury. Mr. Fiske likely would have done this as well.

Reno Expected to Decide On Espy Case This Week

By a Wall Street Journal *Staff Reporter*

WASHINGTON — Attorney General Janet Reno is expected to decide in the next few days whether to seek an independent counsel to investigate Agriculture Secretary Mike Espy's dealings with Tyson Foods Inc., according to a government official.

The Justice Department has investigating whether the agriculture secretary accepted any gifts or favors from Tyson in violation of the [illegible] Inspection Act. Tyson, based in Springdale, Ark., is the nation's largest poultry producer and a longtime supporter of Bill Clinton.

"The attorney general hasn't decided what to do," the official said yesterday, "but a decision to name an independent counsel could come as early as this week." If Ms. Reno does decide to seek an independent counsel, a special panel of the U.S. Court of Appeals in Washington would make the appointment.

Mr. Espy has strongly denied giving Tyson Foods any special treatment. His lawyer, Reid Weingarten, couldn't be reached for comment yesterday.

THE WALL STREET JOURNAL MONDAY, AUGUST 8, 1994

Meg Greenfield

The Washington Wrecking Crew

People go into government whole and come out broken.

In movie cartoons someone is always being chased into a place from which he emerges, after a suitable amount of bashing noises, looking completely different: eyes, nose and ears askew, and squashed to about a tenth of his previous size. It makes me think of government service.

I may be mistaken in believing that people used to be able to go into national government obscure and come out with reputations burnished, rather than going in with big reputations and coming out all bandaged up and shrunk. But whether or not the situation was ever perfect, it has gotten much worse in recent administrations. And it has reached a particularly woeful point in the Clinton years. For Bill Clinton, who will probably be wanting to bring in some new people for the second half of the term, it is urgent to turn this around. Respected people will be ever less likely to sign up for a Washington tour of duty if the odds are that they will come out of it diminished.

It is true that we of the press have much to do with the phenomenon, bringing ever more scrutiny, not all of it warranted and not all of it distinguishable from hounding, to the public and private lives of government officials. So, increasingly, do shameless party politics have something to do with it, as each side, in what seems to be a match of endless retaliation, sets out to discredit destroy selected nominees and top appointees of the other. Finally, there is what seems to be the total, obdurate ineducability of many of those who fall victim to the process. I look at the Roger Altman hearings, concerning who said what to whom about the RTC investigation involving the Clintons and which of them told the truth about it later to Congress, and I ask myself: Do these people who come to Washington ever learn from their predecessors' mistakes? To which the answer is: apparently not; they do the same things over and over.

So the progressive ruination, or at least mussing up, of so many once-promising appointees to government is not exclusively the fault of anyone. And one important distinction needs to be made. It is between those who are worse off when they leave government because they have courted trouble and done something stupid or wrong or both, and those who are worse off when they leave because they have been unfairly hacked up and rendered at least partially ineffective in their jobs by marauding colleagues (often helped along by compliant members of the press and main chancers on the Hill). The distinction boils down to one between those who did themselves in and those who were done in by others. But even so there is something that joins them: Almost without exception, the problem could have been avoided in the first place by a greater respect for structure and authority within the administration and the imposition of a tighter discipline. That is where the Clinton governing style does come in—big time.

There is a sense in which this is an administration of dodgem-car drivers, merrily bumping into each other as they swirl around the ring on what look to be their own individually plotted courses—until someone gets hurt. Altman got hurt, and so did some of those Clinton aides who had been freelancing, just as he apparently had been, in trying to "help" the boss avoid embarrassment and then to help themselves out of trouble once the questions began being asked. Some help.

What if Altman, upon learning that the RT (of which he was acting head) was contemplati the action involving the Clintons, had just s about to make one calculation: "Here is t awkward, potentially damaging situation. I ne to decide, without mucking around in the Whi House politics of the thing, if I should recu myself and what communications, if any, with th White House are in order and, if they are, wit whom." And suppose the proper actions had the just been taken, aboveboard and with no foolin around or fuss. We would have had a much dulle week in Washington than the one that jus rocketed by.

It needs to be said that not everyone in th administration is a dodgem-car driver. On th contrary, there are plenty of strong, smart pe ple in high places who are trying to do their job in an orderly, productive way. That is wha makes the scene so exasperating, or so excitin depending on how you look at it, since ar the people constantly being hit by dodgem car Sometimes the collision is inadvertent, some times planned. We are talking about the secon kind of roughed-up people here who come int the government at the top of their form leav limping slightly. They have just been run over b too many toy cars.

What tends to happen to them is, first, tha they have trouble actually doing their job because decisions they thought had been and approved keep getting mysteriously and unapproved, and they never quite know b whom or for what reason. Lines of authority ar blurred. Everyone seems to be getting into the act, and whatever assurances they had whe they took the job, concerning their jurisdictio and whom they report to and so forth, turn ou to be worthless. You hear this over and over– and from estimable people who want to could do first-class work for the administration.

The other form of assault is by rumor leak from within: This one is pronounced want ing in loyalty, that one in presidential confi dence, the other is said simply to be a failure o on the way out or a great disappointment o something of that kind. None of the well-place but anonymity-seeking purveyors of this kind o destructive chitchat seems to be in the slightes inhibited by the possibility that the boss won' like it as their condemnation is spread acros the papers and TV screens and becomes a fixe part of public opinion about whomever they ar reducing to size that day. The reduced one, o course, finds his or her job made harder to do b all this, with both access and authority diminish ing, because so many people in Washington rus to distance themselves from the politicall wounded.

I think much of this could be cured withou the president's doing anything that would at tract the attention of the American Civil Liber ties Union. These are not free-speech an free-agent issues, after all, but issues of law an order (and fairness and decency) within a administration. Government service should no leave once proud and respected people mopin around their former communities wearing large scarlet "G." That's not exactly an ince tive to anyone else to join up.

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THE WASHINGTON POST MONDAY, AUGUST 8, 1994

Collared During The Dog Days

Whitewater, Health Care Kill Travel Plans

THE WASHINGTON POST MONDAY, AUGUST 8, 1994

By Donnie Radcliffe
and Aimee Miller
Washington Post Staff Writers

Traffic is thinner on the Beltway. They're evacuating the families—loading up the car and kissing the kids goodbye.

It's August in Washington.

But the people who kid themselves into thinking they run this country sweat on—peevish, ever more disgruntled.

For there is no August recess on the horizon for Congress, not while there's Whitewater hearings and health care to the death.

"It looks like summer's pretty much shot," says Terry Hill, director of media relations for the American Federation of Independent Business (AFIB), which is more than casually interested in the next two weeks' legislation. "This has just scrubbed any plans I had for summer. So my family is going on vacation and I'll stay here. You have to do that sometimes."

Says Chris Peacock, director of public affairs at the Treasury Department, "Being here for several years, you learn not to plan on getting away anyhow."

There's a reason why Washington resigns itself to sticking it out through muggy, buggy August. It happens more often than anybody likes to think, usually because now's the time Congress really gets down to business, particularly in an election year.

No Way To Get Away

VACATION, From B1

"Historically speaking," explains Richard Baker, Senate historian since 1975, "Congress operates better under severe deadlines."

Nothing, but nothing, is a bigger cannon to the head than Washington's August. In the good old summertime when Washington's wetlands (even the word for swamp has been politically corrected) were a haven for mosquitoes and flies, Congress automatically left the disease-infested shores of the Potomac. If the president, stuck in the White House (this *was* his home), had Congress for his nemesis the rest of the year, come July and August his foes were epidemics of Asiatic cholera and typhoid.

At least one president didn't live to tell the tale. Zachary Taylor succumbed to typhoid after eating fresh cherries chilled on contaminated ice at the Independence Day celebration marking construction of the Washington Monument in 1850. Several of his predecessors were plagued with malaria and other parasitic diseases throughout their tenure.

Nowadays the perils of staying in Washington for August include not dysentery and hepatitis, but stress. Weary staffers, disgruntled lobbyists and frustrated activists weigh personal plans against public policy and grudgingly send their families off to rustic lakeside lodges without them. "Anyone working on health care reform who bought restricted travel tickets should see their psychiatrist and hope it's covered under their health benefits," says Walter B. Maher, director of federal relations for Chrysler Corp.

Baker says old hands on the Hill know not t take any projected recess dates seric —r matter how far into August they are. "Th ar always issued with an understanding that the are very much subject to change. Anybody wh puts down money for air fare realizes there's risk."

Wendy Lechner, with the AFIB, switched h itinerary from scuba diving in the Bahama which would have required her to be there Au 15. Now she's planning to go camping in Flori three weeks later. "I knew it was tak chance, but I figured I probably could change m plans."

National Public Radio's Joanne Silberner sa that as long ago as last winter she was t t someone in Sen. Edward Kennedy's office th no staffer had dared buy a non-refundable plan ticket for earlier than this November. Silberm was asked by her editors in late 1992 to her vacation until President Clinton's health ca plan came out. "That was supposed to be in 1(days," she says. "It turned out to be more tha 280 days."

At the White House, Neel Lattimore, spoke man for Hillary Rodham Clinton, said he put h vacation on hold until the end of the month. " Congress is here, I'll be here. And White Hou staffers are going to stay here until the Clinto leave." Which theoretically is until Aug. 21. U less it's later. Much later.

Terry Hill, whose family is heading to San Fe, N.M., without him, is philosophical. "Vac tions are minuscule when it comes to somethi this vast and has this potential impact on emplo ers in the country. It's pretty difficult to expla that you were on vacation when one of these bil went through."

Peacock had plans to catch the Atlanta Brave in mid-August. Now, not only is he stuck i Washington, but there is talk of a baseball strik "I'm sort of getting a double whammy," he says

Espy Probe May Get Independent Counsel

Reno to Petition Court Soon, Sources Say; Gifts to USDA Chief at Issue

By Pierre Thomas
Washington Post Staff Writer

Attorney General Janet Reno is expected to petition a federal court within two weeks for an independent counsel to investigate whether Agriculture Secretary Mike Espy illegally accepted gifts from the country's largest poultry producer and to determine if the relationship affected oversight of the chicken industry, law enforcement sources said yesterday.

The decision would set the stage for the Clinton administration to face two independent counsel investigations simultaneously. Last Friday a three-judge panel named former solicitor general Kenneth W. Starr as independent counsel to examine the Whitewater affair.

Reno "hasn't signed off on the petition yet, but the . . . assumption is that she will," an administration official who asked not to be named said yesterday.

Jo Ann Harris, head of the Justice Department's criminal division, several weeks ago concluded that the Espy matter should be resolved by an independent counsel and forwarded the case to Reno.

Espy's actions have been investigated by the Justice Department and if an independent counsel is named, the FBI is poised to expand interviews with Agriculture Department employees and to seek records from Espy's office that might shed light on his policies regarding regulation of the poultry industry, sources said yesterday.

Attempts to reach Espy by telephone were unsuccessful yesterday. An earlier statement from his office said he was cooperating fully with the Justice investigation and anticipated "a positive outcome."

For weeks, the FBI has been examining the relationship between Espy and Arkansas-based Tyson Foods Inc., owned by Donald Tyson, a strong supporter of President Clinton. The allegations of wrongdoing by Espy, which were referred to the Justice Department by the Agriculture Department inspector general's office, have caused critics to question the administration's commitment to bolster oversight of the poultry industry.

Espy's department moved quickly to end fecal contamination of meats last year; a similar move on poultry came last month, after Espy was under investigation.

At issue is the 1907 Meat Inspection Act, which prohibits Agriculture Department employees from accepting any "thing of value" from members of the industry they regulate. The gifts Espy allegedly accepted were tickets to a Dallas Cowboys football game and a Chicago Bulls basketball game and a trip on a Tyson jet.

The most serious criminal allegation is that Espy took the football ticket from Tyson while his department was considering more stringent regulation of the chicken industry, sources said. The FBI is also investigating whether the Agriculture Department slowed or halted the tougher poultry guidelines as a result of the gifts. The Wall Street Journal first reported specifics of the ticket allegations as well as an allegation that a top Agriculture official ordered work halted on proposed poultry guidelines.

Sources said that Espy reimbursed Tyson officials for some of the items. The reimbursement and the fact the gifts were relatively inexpensive caused some Justice Department lawyers to wrestle with whether to prosecute him. For example, the football ticket was valued at less than $100, sources said.

The FBI also is investigating an allegation that Espy requested tickets to a Chicago Bulls basketball game from the Chicago-based Quaker Oats. Quaker Oats spokesman Ronald Bottrell said that an Espy staff member made the request by phone to the office of Quaker Oats Chief Executive Officer William D. Smithburg.

Espy was given at least one of Smithburg's tickets, valued at $45, although Smithburg himself did not answer the call, Bottrell said. A law enforcement source said the basketball allegation does not appear to be a criminal violation, but an ethics question that may be investigated by the White House.

The Justice Department considered dropping the Espy case, but decided against it after Congress in June reauthorized independent counsel investigations of credible allegations against high-ranking government officials.

Harris concluded that closing the investigation "would appear to have been an attempt to subvert the purpose of the [independent counsel] law," a department source said.

Hearings Reveal a White House Obsessed With Whitewater

By Ruth Marcus
Washington Post Staff Writer

Treasury Department general counsel Jean E. Hanson was in the middle of lunch last February when her beeper went off and she was hurriedly summoned to the White House for a meeting.

The day before, Deputy Treasury Secretary Roger C. Altman had told the White House of his plan to step aside from overseeing a matter of central interest to the Clinton administration: the impending decision on whether to file civil claims against the Clintons in connection with the collapse of Madison Guaranty Savings & Loan.

After encountering stiff resistance from senior White House officials, Altman had changed his mind and returned to the White House to deliver that welcome news.

But White House deputy chief of staff Harold Ickes had one remaining worry. How many people, he asked, had Hanson told of her view that Altman should remove himself from the case?

"Good," Ickes responded, when Hanson said there were only three. "If it got out, it would look bad." Ickes said he did not remember that exchange, but another White House lawyer lent support to Hanson's account.

That glimpse of a nervous White House as it struggled last winter to contain the fallout from Whitewater is among the many revealing episodes that emerged over the last two weeks as Congress held its first round of hearings on Whitewater.

The hearings offered a far more detailed—and to some, more disturbing—portrait than the administration presented last March, when it first disclosed the meetings between top Treasury and White House officials about the government's investigation of Madison.

At the time, the White House portrayed the meetings on Madison, which was owned by the Clintons' partner in the Whitewater real estate development, as trivial and incidental contacts.

In fact, the hearings showed, the meetings reflected the intense interest of the Clinton White House in the criminal and civil investigations of Madison. The initial three meetings that the White House first disclosed have swelled to a total of some 40 White House-Treasury contacts on Madison.

In combination with the investigation by special counsel Robert B. Fiske Jr., the hearings served to debunk some of the darkest suggestions of administration wrongdoing: that officials took steps to quash the criminal referrals or obstructed justice by securing the dismissal of Jay B. Stephens, the political enemy of the Clintons who was retained by the Resolution Trust Corp. (RTC) to handle the Madison civil cases.

Some White House officials—notably staff secretary Judy Feaster and attorney Joel Klein, W. Neil Eggleston and Clifford M. Sloan—had behaved unwisely in their relentless pursuit of information about Madison, but there was no evidence that they had done anything illegal.

Nor did the hearings show that Altman's Feb. 24 testimony before the Senate Banking, Housing and Urban Affairs Committee had not presented a complete picture of the White House-Treasury contacts and that the omissions needed to be corrected.

But the hearings also presented a vivid picture of an administration far more obsessed by Whitewater than it was willing to acknowledge at the time. They reinforced the image of a chaotic White House with few, if any, real lines of authority and driven by a damage control mindset as Whitewater returned to the headlines.

Documents released in connection with the hearings depict an administration on the verge of panic in early January, as calls for an independent counsel on Whitewater mounted. "This Whitewater situation is one big mess," Altman wrote in his diary entry for Jan. 3. "Administration is perceived as stonewalling; 'there must be something to hide.' "

The White House, concerned about the daily pounding the Clintons were taking in the news media, summoned a group of Cabinet officers to the White House to discuss how to fight back. Treasury Secretary Lloyd Bentsen, alarmed by the toll that Whitewater was taking on the administration, went to see senior presidential adviser George Stephanopoulos to argue for "lancing the boil" by making full disclosure.

President Clinton was so upset by coverage of Whitewater that he buttonholed Comptroller of the Currency Eugene A. Ludwig during the private Renaissance Weekend gathering in January to seek his advice on handling the matter—prompting a flurry of concerned telephone calls among White House lawyers who did not think it advisable for the president to be discussing the matter with a banking regulator.

Hillary Rodham Clinton, who had represented Madison as a partner in the Rose Law Firm, also was caught up in Whitewater, spending hours closeted with the Clintons' lawyer, according to her chief of staff, Margaret Williams.

Ickes, the deputy chief of staff who quickly became immersed in Whitewater on his arrival at the White House in January, took pains to keep Hillary Clinton up to date, sending her a detailed legal analysis prepared by the White House counsel's office on the possibility of civil claims against the Rose firm or the Clintons themselves.

"On Whitewater, Maggie told me HRC was 'paralyzed' by it," Altman wrote in his diary. "If we don't solve 'within the next two days.' " Altman quoted Williams as saying shortly before the administration acceded to congressional calls for a special counsel: " 'you won't have to worry about her schedule on health care.' " Williams said she did not recall any such conversations with Altman.

In the presidential campaign, in which Clinton had to fend off charges of draft-dodging and womanizing, Whitewater had been a relatively minor concern. But after he took office, there were early warnings that it would become a problem.

On March 23, 1993, at his first staff meeting as acting head of the RTC, Altman asked about any high-profile issues of which he should be aware. Senior Vice President William Roelle quietly told him of an earlier criminal referral on Madison that had mentioned the Clintons.

That evening, and again the next morning, Altman faxed a year-old newspaper clipping about Madison and Whitewater to White House counsel Bernard Nussbaum. Both men testified that they remembered nothing about the fax or related discussion.

Madison did not come up again until September, when a new set of criminal referrals that mentioned the Clintons as possible witnesses were reaching their final stages of preparation at the RTC's Kansas City office.

On Sept. 29, two days after a Kansas City official gave Washington an outline of the criminal referrals, Treasury general counsel Hanson was at the White House for another meeting. She took the opportunity to draw Nussbaum aside to give him a "heads-up" on the referrals.

Roelle had told Hanson that the highly sensitive material should be kept in strictest confidence. "I never dreamed they would discuss it with the White House," he said. But Hanson alerted the White House because of the expectation—quickly true—that the referrals would leak; the White House, she said, needed to be able to respond to media inquiries.

At the time the Sept. 29 meeting was first disclosed, the White House depicted it as a bare-bones alert. A senior official insisted that "the information that we got from the press was more specific than the information that was obtained through the Hanson conversation."

In fact, as handwritten notes of a White House lawyer indicate, Hanson followed up her conversation with Nussbaum with a telephone call that provided a detailed outline of the contents of the referrals.

The criminal referrals went ahead, eventually ending up in the hands of special counsel Fiske. They have now been transferred to the new independent counsel, Kenneth W. Starr.

Meanwhile, government lawyers also were looking into filing civil lawsuits to recover some of the money lost when Madison failed. One possibility was civil lawsuits against professionals, such as Hillary Clinton or other lawyers at the Rose firm who may have contributed to Madison's collapse. The Clintons also could be exposed to suit if the government concluded that Madison funds had been diverted to prop up the Whitewater investment or for use in Clinton's gubernatorial campaign.

With the statute of limitations for filing such claims about to expire, Hanson, this time joined by Altman, went to the White House for another meeting. Altman told the Senate Banking Committee later that the meeting was a purely procedural briefing on how the statute of limitations would affect the cases, a matter that later became moot when Congress extended the deadline.

White House officials have said the information discussed at the session was publicly available and did not [illegible]

THE WASHINGTON POST MONDAY, AUGUST 8, 1994

terested in Madison. In fact, anoth
topic at the meeting was wheth
Altman should recuse h f fr
overseeing the case. Altman
edly revealed that fact to the co
mittee, but it was described a
nor, offhand discus o
participant testified last week it
cupied as much as half the meetin

As the hearings showed, howev
Altman's recusal was a subject of
tense discussion at both T
and the White House. Political a
career Treasury and RTC offici
agreed that Altman, a college
of Clinton's, would be wise to st
aside, even though he was leg
ly or ethically bound to do so.

But when Altman to
White House to discuss his
on Feb. 2, he encountered fierce
position. Nussbaum, the White Ho
counsel, was particularly
the idea. He thought it w I set a b
and "unprincipled" precedent fo
government official to step aside.

He also was particularly concern
about leaving the matter gely in
hands of Ellen Kulka, an RTC law
with whom Nussbaum had tangl
when he was in private practice.

Kulka, Nussbaum told his staff, w
a tough, even unreasonable, lawy
he did not like the idea of her overs
ing a case of such importance to
Clintons. Williams, Hillary C
chief of staff, also was c to
man's recusal. Why was it ne
she asked, if he had already agr
that he would accept the staff's r
ommendations? No one at the Wh
House told Altman to stay, th
position seemed clear.

In the face of that reaction, Altm
changed course. "They reacted w
negatively to the recusal
backed down the next day," J
Steiner, the Treasury chief of st
wrote in his diary.

Kulka did not understand why
man would want to expose himself
the Republican criticism that rem
ing on the case would surely draw
expressed her puzzlement to Hans

"I just can't believe that he s wi
to put himself in this position to t
all this political heat when it's cl
he's not going to make the actual d
sion. Why would he ever do it?" K
asked.

"Think about it," Hanson rep
The clear implication was that
man was staying in because that
[illegible]

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Starr Urged To Decline Counsel Post

Clinton's Lawyer Criticizes Appointee's Stance on Jones Suit

By Ruth Marcus
and Rebecca Fowler
Washington Post Staff Writers

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President Clinton's lawyer in a sexual harassment lawsuit yesterday called on Kenneth W. Starr, the newly appointed independent counsel to investigate Whitewater, to step down from the case because of an appearance of "partisanship" against Clinton.

The attorney, Robert S. Bennett, said he had no personal doubts about Starr's "intellect and integrity." But he pointed to Starr's recent comments opposing Clinton's argument that he is immune as president from being sued by former Arkansas state employee Paula Corbin Jones and to news reports that Starr had planned to file a friend-of-the-court brief opposing Clinton's position.

"I think Starr should decline it," Bennett said of Starr's appointment Friday as independent counsel. "I think there is a real appearance of unfairness. If Starr found anything wrong, I don't think anybody could have any confidence in that."

Starr, asked at the American Bar Association's annual meeting in New Orleans about Bennett's critical comments, said he would act impartially and "with an open mind."

"Judges are accustomed to setting aside their views and proceeding apace with a fresh perspective and saying that was yesterday and this is today and my duty is to go forward with an open mind. That's what

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■ *Hearings reveal a White House obsessed with Whitewater. Page A4*

judges do, and I believe Congress intended that independent counsel conduct himself or herself in that same manner," Starr said.

Bennett's comments were the first public salvo against Starr by anyone associated with the White House and reflected the intense behind-the-scenes unhappiness of administration officials and their allies with the selection of an active Republican and a former top official of the Reagan and Bush administrations.

Starr had been on Attorney General Janet Reno's original list of possible special counsels to investigate Whitewater. But Bennett said Starr had "picked up baggage" since then because of his activities in the Jones case. Starr did not endorse Jones's lawsuit and appears to have dropped his plans to file the brief on her side.

Bennett also criticized Starr's lack of prosecutorial experience, saying he had "nowhere near the practical experience" of Robert B. Fiske Jr., the special counsel he is replacing.

Starr considered running for the Republican senatorial nomination in Virginia and has contributed to Republican candidates. He was a top official in the Reagan Justice Department, was named by President Ronald Reagan to the federal appeals court here, and left to become President George Bush's top courtroom lawyer.

"When they go ahead and appoint somebody that has all these ties, it's troublesome," Bennett said. "If appearances are really going to be that important, then you don't pick somebody like Starr." He said that while Starr is a fair-minded man, "if on some issue there's a close call, he could be influenced by his background and the baggage he has picked up."

Bennett would not say whether his comments had been approved by the White House or whether he had spoken with the president, but it is unlikely that he would have chosen to go on the offensive with a blast at Starr without some authorization.

On Friday, a three-judge panel said it would not retain Fiske as Whitewater special counsel because of the need for the "appearance of independence." Instead, the panel selected Starr to replace Fiske, a Republican former prosecutor appointed by Reno in January. At the time, the independent counsel law had expired. Congress revived the law last month, and Reno then asked the court to appoint an independent counsel. She suggested Fiske.

Although Fiske generally won bipartisan praise at the time he was appointed, some Republicans had complained since that he had conflicts of interest in the Whitewater case and that his investigation had been shoddy.

Bennett also said that "the circumstances surrounding Mr. Fiske's replacement are very troubling," pointing to letters to the special court that appoints independent counsels by a group of Republican members of Congress and Floyd Brown, a fierce political opponent of the president.

"You talk about trying to influence the outcome on a criminal investigation, that seems to be trying to do it in spades," Bennett said. "You replace the umpire in the middle of the game and then you find out before he was replaced the losing team was writing letters to the baseball commissioner. It looks terrible."

"I am honestly concerned about whether President and Mrs. Clinton are going to be treated fairly," Bennett said.

Fiske's ouster and his replacement by Starr shocked and dismayed officials at the White House, but they were careful to say little publicly beyond pledging their cooperation with the new counsel.

White House counsel Lloyd N. Cutler, appearing yesterday on ABC's "This Week With David Brinkley," said it was "a total waste of taxpayers' time and money" to replace Fiske, but added that he had "every confidence" in Starr.

Cutler and White House Chief of Staff Leon E. Panetta both called on Starr not to move to reopen the "Washington phase" of the Whitewater investigation. Fiske had concluded that no criminal charges should be brought against White House and Treasury officials for their discussions about the government's investigations of Madison Guaranty Savings & Loan, the failed Arkansas thrift owned by the Clintons' business partner in the Whitewater real estate development. Fiske also found that deputy White House counsel Vincent Foster's suicide was unrelated to Whitewater.

"We have nothing to hide in this situation, but we would hope that there is a point at which enough is enough," Panetta told NBC's "Meet the Press."

Staff writer Saundra Torry in New Orleans contributed to this report.

BC-White-House-Officials-Oppose-Probing

White House Officials Oppose Probing Whitewater From Scratch

Washington, Aug. 7 (Bloomberg) -- Special counsel Kenneth Starr should use the work of former special counsel Robert Fiske in the Whitewater probe, rather than starting the investigation from scratch, White House policy maker said today.

Starr should not ``make a completely fresh start'' of the investigation that Fiske has already conducted, White House counsel Lloyd Cutler said. Starr indicated in an interview in today's Washington Post that he may reopen portions of the probe recently closed by Fiske.

Cutler said if Starr began the probe anew, and conducted it fairly, he would reach the same conclusion of no criminality that Fiske recently announced in the so-called Washington phase of the sweeping probe, which stretches from Arkansas to the Oval Office.

``We are quite content to go forward with Mr. Starr,'' Cutler said.

Leon Panetta, the White House chief of staff, echoed Cutler's sentiments. There have been more than ample probes into the Whitewater affair, and thus far, ``there are no criminal violations,'' Panetta said. ``There have been no ethical violations.''

Panetta said, ``At some point, I hope all of us can return to the business of the nation'' instead of spending time responding to investigators.

``We're going to fully cooperate'' with Starr as he investigates the Whitewater affair, Panetta said.

Some critics objected to the three-judge panel of the U.S. Circuit Court of Appeals naming Starr to take over from Fiske's nearly 7-month-old investigation into the Arkansas financial dealings of President and Hillary Rodham Clinton.

The court action Friday places a Republican who recently criticized Clinton in a position of investigating the president.

The court declined to reappoint Fiske to continue the probe because he was originally appointed to the position by Attorney General Janet Reno, a member of Clinton's cabinet.

A court-appointed investigator would not present such an appearance of a conflict of interest, the court said.

Cutler appeared on ABC's ``This Week With David Brinkley.'' Panetta was on NBC's ``Meet the Press.'' --Dave Ahearn in Washington (202) 434-1831, through the Princeton newsroom (609) 279-4000/cd (For more on Cutler and Panetta; NI EXE; on the court: NI LAW; on Fiske and Starr; NI LAW; on politics; BBN45) 18:33 18:35 -0- (BBN) Aug/07/94 18:33 EOS (BBN) Aug/07/94 18:33 86

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Outside the Beltway, Whitewater Scanda Looks Like a Dud

'It's No O. J.,' Says A Richmond Man

By ISABEL WILKERSON
Special to The New York Times

CHICAGO, Aug. 7 — This summer, in a country where the murder of O. J. Simpson's ex-wife brings the network's regularly scheduled programming to a halt but where the Whitewater hearings do not even rate uninterrupted coverage on C-Span, there appear to be three kinds of people.

There are the Washington Beltway regulars whose lives and Rolodexes depend on knowing Roger C. Altman from Josh Steiner. There are the scandal junkies who actually keep up with the Bobbitts and Buttafuocos and who are following Whitewater as they would "Days of Our Lives."

And then there are the masses who flip the channel whenever the word is mentioned and have all but told the networks to wake them when it is over.

These are people like Mary Gott, a real estate agent in Chicago. She has not watched the hearings, does not know who testified or what they testified about and says she is too busy with work and exercise and helping her friend go furniture shopping.

She missed the grand Whitewater moments, like the time Mr. Steiner, the Treasury chief of staff, read from his diary, and the time Mr. Altman, the Deputy Treasury Secretary, admitted, "I do not have perfect recall."

She does not know who these people are and, truth be told, is not sure what the hearings are about. "It's about President Clinton and something in Arkansas and something where there was misplaced money or something," Ms. Gott said.

Too Low for Radar

Interviews with more than 100 people from New York to Portland, Ore., suggest that Whitewater is not even on the radar screen for most people.

For one thing, people said, the topic seems stale and the facts are arcane and confusing. "I try to watch it when I get home, but I'm half asleep and it's so boring," said Lori Sherman, a Chicago accountant. "It's been beaten into the ground."

For another thing, the makings of a bona fide scandal worthy of interrupting "Seinfeld" or "Another World" somehow change when the standards are the Bobbitts and O. J. Simpson.

To some people, Whitewater seems petty and small-time compared with the big ones. "It's about who told who, almost like a tattletale case," said William Gaulding, a manager at a Richmond hotel. "It's no O. J."

But scandal fatigue is not the main reason people are not paying attention. Neither is it that people necessarily feel sympathetic to President Clinton. Even people who do not like him say they are not watching.

The problem appears to be that few people see Whitewater as relevant to them or even worth the time it would take to figure out whether they would care enough to watch. "They could take Whitewater, and they could throw it in the ocean," said Allan Sobel, a certified public accountant from Marlboro, N.J.

This is far removed from the fixations generated by previous Congressional hearings. Pamela Popeil, a coordinator at a Chicago hospital, walked around with headphones on during Iran-contra sessions and got a ticket for running a red light during the Clarence Thomas hearings, so engrossed she was in the testimony about him and Anita F. Hill.

Whitewater is different. "It's something that's never talked about," Ms. Popeil said of her friends. "When I see Whitewater, I don't even read it."

Nearly everyone said they could think of something more important that Congress should be doing, whether it was health care, crime or drugs.

With Whitewater, most people said there was not enough at stake to make them sit at home in front of a television in August. "There may be something there, but who cares?" said Gary Magnuson, a social worker in Portland, Ore.

In the overflow of stories about public misfortune and political misdeeds, people seem to be mixing Whitewater with everything else the Clintons may have done wrong. The suicide of Vincent W. Foster Jr., Hillary Rodham Clinton's wild profits in commodities trading, Paula C. Jones's accusations of sexual harassment all blur together.

"Didn't someone commit suicide over the thing, and they're covering it up?" asked Douglas Eller, a shoe salesman from Roanoke, Va. "He was the ringleader, and they took papers out of his office?"

As a measure of the remoteness of the case, people are not learning the players in Whitewater as they learned the names of the President's men in Watergate or Iran-contra. For all their hours of testimony, Margaret (Maggie) Williams, Hillary Rodham Clinton's chief of staff, Bernard W. Nussbaum, the former White House counsel, and even Lloyd Bentsen, Treasury Secretary and former Senator from Texas, are not the household names that the Nixon officials H. R. Haldeman, John D. Ehrlichman and John W. Dean 3d once were.

Penny Mendlovic, a Chicago real estate consultant, who says she knows a little something about Whitewater because she has seen it in the newspapers, drew a blank when asked who Lloyd Bentsen was.

"Give me a clue," Ms. Mendlovic said.

Told he was in the Cabinet, she said, "Well, you got me."

Different Levels of Fame

There was a great deal of confusion about Mr. Altman, who gave 15 hours of testimony and whose name is similar to those of some other well-known figures. "Is he a Senator?" asked Heather Cargill, a computer-tape librarian in Richmond.

"Isn't he a director?" asked Ms. Sherman, the Chicago accountant confusing him with the director Robert Altman. "He did 'Short Cuts,' didn't he?"

"Altman is the special prosecutor," said Pam Toler, a property manager in Chicago, "or the special investigator who has been involved, and there have been questions about whether he should have called himself off the case."

But there is no such fuzziness with Lisa Perrotti, an administrative assistant in New York City. She has been watching it as if it were a new television series and can tell you who is lying and who is not, who she would fire and who she would keep.

Her theory is that Mr. Foster's suicide was linked to Whitewater. "It's impossible to shoot yourself and the gun remains in your hand," Ms. Perrotti said. "Bernard Nussbaum took the Whitewater files from Foster's office. Maggie Williams took the files and gave them to Hillary Clinton. This is huge security stuff."

In light of the potential that any Congressional hearing holds, NBC was prepared to go live but never saw the need to do it. CBS did a poll before the hearings to gauge viewer sentiment, and a network spokeswoman, Kim Okhtar, said it had decided that a story on the nightly newscast was enough. "There was simply not sufficient public interest," she said.

Altogether, the hearings went on for nearly 115 hours, and 35 people testified. But some people wouldn't know it.

The film maker Gus Van Sant was at an art opening in Portland, Ore., when he was asked about Whitewater. Mr. Van Sant looked bewildered by the question. "Rafting?" he asked.

Not that kind of white water, he was told. The kind that is the subject of the hearings in Congress. "Oh that," Mr. Van Sant said. "No, I don't care about that at all."

Ozier Muhammad/The New York Times

Lisa Perrotti
New York City

"Bernard Nussbaum took the Whitewater files from Foster's office. Maggie Williams took the files and gave them to Hillary Clinton. This is huge security stuff."

Todd Buchanan for The New York Times

Mary Gott
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"It's about President Clinton and something in Arkansas and something where there was misplaced money or something."

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Alan Sobel
Marlboro, N.J.

"They could take Whitewater, and they could throw it in the ocean."

bc-health - a1608
(ATTN: National editors) (Includes optional trims)
Clinton Said to Be Trying to Save Key Part of Health Reform (Washn)
By Jack Nelson and Edwin Chen= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton is resigned to salvaging whatever he can get from Congress on health care reform, but he is preparing to launch a last-ditch effort to save a key provision of a Senate bill that could eventually require large employers to insure their workers, administration officials said.

``The mood at the White House definitely has shifted from `all or nothing,' to `let's take the best deal we can get,''' said one senior Clinton aide who spoke on condition of anonymity.

The top priority at the White House is an all-out push for passage of the compromise health care bill crafted by Senate Majority Leader George J. Mitchell, D-Maine. The Clinton team is particularly anxious to preserve the provision that would trigger the so-called employer mandate in any state where less than 95 percent of the population enjoys health care coverage by the year 2000.

``We're in two phases now in the campaign. First, we want to get a vote on the trigger,'' the senior aide said. ``We're behind by several votes, but trying to build enough pressure to win it. A vote for the trigger would steady the bill.

``But if it's voted down, the president wants to get whatever he can get and that's the second phase,'' the aide said.

Another White House aide agreed that the president is in a ``compromising mode'' and will take the best deal he can get from Congress on health care reform this year.

The present White House stance is light-years away from the heady days of last winter, when first lady Hillary Rodham Clinton and her health policy guru, Ira Magaziner, led a highly publicized effort to redesign the nation's medical care system from top to bottom. Back then, the ``policy wonk'' was king; no element of medical care was too obscure, no proposal too ambitious for administration officials and their army of experts to take up.

Now the experts are on the sidelines, and the political deal-makers are at center court.

Administration officials insist that the president has not abandoned everything he and the first lady once held dear. They say he will not accept a health care bill that appears too flawed to work properly. ``He won't take just anything,'' the senior aide said. ``There are some scenarios that could make the health care situation worse; so it would have to be prudent.''

The president has stressed that incremental reforms seeking only to ban discriminatory insurance industry practices, but not moving the nation toward guaranteed health coverage, could increase the number of uninsured while driving up prices for everyone else.

Yet the need for a president with sagging poll ratings to obtain something he can call a victory on health care would be hard to exaggerate. And the political realities in Congress are rapidly narrowing the administration's range to maneuver.

Initially, White House strategists had hoped to secure House passage of a health care blueprint that is more ambitious than Mitchell's Senate version. Then, they thought, a consensus bill falling somewhere in between could be negotiated in the House-Senate conference committee that will resolve differences between whatever measures emerge from each chamber.

That scenario still could materialize. But by embracing Mitchell's bill, as he did in a news conference last Wednesday, the president may have seriously undercut the House bill, which is championed by Majority Leader Richard A. Gephardt, D-Mo., and tracks closely on Clinton's own ideas.

(Optional add end)