BC-CLINTON-CHRISTMAS

Mrs. Clinton unveils White House holiday decorations

WASHINGTON (Reuter) - Partridges in pear trees, turtle doves, french hens and other figures from ``The 12 Days of Christmas'' serve as the theme for this season's White House Christmas decorations, first lady Hillary Clinton said Monday.

Proclaiming ``I am in the holiday spirit,'' Mrs Clinton, dressed in a green jacket and matching skirt accentuated with a gold Christmas tree pin, led reporters on a tour of the presidential mansion's holiday decorations.

Standing in front of the White House Christmas tree, an 18 and one-half foot Colorado spruce that scraped the ceiling of the Blue Room, she said the carol classic was one of the Clintons' personal favorites.

The tree was decorated with ornaments made by students from across the country and included such items as a dried gourd with two turtle doves painted on it. The spruce was one of at least 15 trees in the executive mansion, and together they held 40,280 white lights.

One of the biggest eye catchers was a 70-pound gingerbread house made by White House pastry chefs depicting President Clinton's childhood home in Hope, Ark.

The first lady also unveiled the Clintons' Christmas card, a ``whimsical'' interpretation of the Red Room by American artist Thomas McKnight. It shows first cat Socks sitting by a roaring fire and the president's saxophone underneath a Christmas tree.

REUTER

**** filed by:RB--(--) on 12/05/94 at 14:57EST ****
**** printed by:WHPR(103) on 12/06/94 at 08:22EST ****

=Gingrich Tapped As Speaker As Relations With Clinton Sink

By Greg Hitt

Dow Jones Staff Reporter

WASHINGTON -DJ- Rep. Newt Gingrich was tapped as the next speaker of the House of Representatives even as the Georgia Republican's relationship with the Democratic-controlled White House skidded to a new low.

Gingrich over the weekend charged that a significant number of White House staff had used drugs before joining the Clinton administration, an allegation the lawmaker used to buttress the notion that President Clinton and first lady Hillary Rodham Clinton are members of the ''counterculture'' and out of step with American society.

Gingrich did not touch on the controversy in a rambling, hourlong acceptance speech made to House Republicans gathering today in the Cannon Caucus Room, though he did acknowledge a propensity for polemics. ''I appreciate your forebearance,'' he said. ''Occasionally, for some reason I will say something controversial.''

Gingrich will not formally be elected speaker until the 104th Congress convenes in January. His remarks on NBC's ''Meet the Press'' drew sharp rebuke from White House aides, and raised questions about whether Gingrich, who will be the first Republican speaker since the early 1950s, will be able to establish a working partnership with Clinton.

''We cannot do business with the speaker of the House who is going to engage in these kind of unfounded allegations,'' said White House chief of staff Leon Panetta.

Gingrich has spoken of cooperation, not compromise, with the Clinton White House. But as that strategy unfolds, it is becoming apparent that there will be only a narrow range of cooperation. The speaker-to-be suggested Congress may give Clinton three bills the president favors by the end of January. They would subject Congress to all laws the private sector is now subject to, trim unfunded federal mandates and give the president a line-item veto.

''It is conceivable that all three may be signed well before the end of January,'' said Gingrich, hoping the early action will point to ''a remarkably productive 1995.''

(MORE) DOW JONES NEWS 12-05-94

1:40 PM

**** filed by:TAPE(--) on 12/05/94 at 13:44EST ****

**** printed by:WHPR(103) on 12/06/94 at 08:22EST ****

Hillary says accusations unfair
By HELEN THOMAS= UPI White House Reporter=
WASHINGTON, Dec. 5 (UPI) Hillary Rodham Clinton unveiled White House yuletide decorations Monday with the hope that the Christmas spirit would rub off on everyone, including Republican leaders who she said are hurling ``unfair'' accusations at the administration.

Appearing distressed over allegations by incoming House Speaker Newt Gingrich that many White House staffers have used drugs, as well as reports of impending indictments of close friends from Arkansas, the first lady told reporters: ``I just don't believe we should be hurling accusations at one another.''

``I would hope it was a momentary lapse,'' she said.

Despite the tribulations, which seemed to once more engulf the Clinton Christmas, the first lady brightened and said ``of course'' when asked if the president would run for re-election. ``And win,'' she added.

As for Gingrich's allegations, she said: ``I think it's so unfair.''

``I just hope the Christmas spirit will win over the hearts of everyone...it's about our being together,'' she added.

``I hope Christmas will be the time to forgive and overlook the problems of the past and certainly be more open and fair-minded,'' she said.

Despite reports that President Clinton will lower the first lady's public profile next year in view of the collapse of her efforts to reform the health care system in this country and the widespread repudiation of the administration at the polls last month, she said ``I'm going to continue to speak out and do what I think is right.''

``It's really a time to take stock of how we treat each other,'' she said as she stood in front of the giant Christmas treat in the Blue Room decorated by students from art and elementary schools throughout the nation.

Mrs. Clinton said she and her family have ``always been crazy about Christmas,'' and revealed plans for a gathering of the clan over the holiday. Christmas, she said, will be spent in the White House, and family and friends will follow all traditions, including church service on Christmas Eve.

Gifts will be opened around the tree in the family quarters and there will be the singing of Christmas carols, followed by a big Christmas dinner in the afternoon.

The theme of the decorations this year will be ``The Twelve Days of Christmas,'' with ornaments made mainly by students from art and design schools.

Mrs. Clinton said the president was ``surprised'' when he saw the gingerbread house in the State Dining Room was a replica of his boyhood home in Hope, Ark., with his German Shepherd ``King'' sitting on the front porch.

The president arranged to return from his one-day journey to Budapest for the Conference on Security and Cooperation in Europe to host a Christmas ball Monday night in honor of the outgoing Congress. From then on, there will be yuletide parties almost nightly at the White House.

Asked what she misses most about her previous life at this time of the year, Mrs. Clinton replied with a smile: ``Christmas shopping.''

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BC-germond-witcover 12/6 Politics Today
Politics Today; RELEASE: 12/6/94
(FOR SUBSCRIBERS ONLY)

ANOTHER VOLLEY FROM LOOSE CANNON GINGRICH

By Jack W. Germond and Jules Witcover

WASHINGTON -- In addition to the 10-point agenda the House Republicans have pledged to carry out in their ``Contract With America,'' they need to do one other thing if they are to be seen as responsible leaders: put a muzzle on Newt Gingrich when he recklessly gets off that subject.

Once again the prospective House speaker has demonstrated his talent for creating division by irresponsibly demonizing opposition Democrats and treating them not simply as adversaries but as despised enemies. He may be succeeding Bob Michel as the ranking House Republican, but he will never replace the always decent Michel as long as the loose Gingrich tongue continues to wag as it did on ``Meet the Press'' on Sunday.

Gingrich's statement in the NBC News interview that ``up to a quarter of the (Clinton) White House staff, when they first came in, had used drugs in the last four or five years'' was ``substantiated'' by his statement that ``a senior law enforcement official'' had told him that it was so ``in his judgment.''

Gingrich did not identify the official and insisted he was ``not making any allegations of any individual persons.'' But, he observed, the White House ``had huge problems getting people through security clearance, because they kept bringing people in who had a lot of things that weren't very easy to clear.'' Again, he offered no specifics or proof to back up his comments.

The observations came in the context of questions about his earlier characterization of Bill and Hillary Clinton as ``counterculture McGoverniks'' and Gingrich's allegation that the first couple had brought others of that ilk, such as Surgeon General Joycelyn Elders, into his administration. In this instance, he insisted, he was not talking about behavior 20 or 25 years ago, but now.

The remarks were chillingly reminiscent, to those of us old enough to remember, of Sen. Joe McCarthy of Wisconsin in the 1950s waving pieces of paper and proclaiming that ``I have in my hand'' the names of Communists working in the State Department, none of whom he ever revealed.

McCarthy, like Gingrich today, had new-found power and publicity bestowed upon him when his Republican Party took control of the Senate on the coattails of the 1952 landslide election of President Dwight D. Eisenhower. McCarthy as a committee chairman used both with reckless abandon, poisoning the public discourse throughout that era.

Gingrich, so far at least, is no Joe McCarthy. In his one-hour ``Meet the Press'' appearance, he articulated with clarity his positions and his aspirations for the House Republicans he will lead in the next Congress. You do not have to accept the world according to Newt Gingrich to recognize that he is a forceful and effective advocate of the political revolution he hopes to achieve as speaker.

But as speaker he ill-serves his party and his cause by continuing to be the loose cannon that he has been as an ordinary congressman and a minority leader. If he is going to accuse the White House of harboring what he calls ``counterculture people'' he should name them, say specifically how he knows who they are and spell out what their crime is. He should, in other words, put up or shut up on this particular matter.

The danger in raising questions about the White House staff is that it could divert attention from the House Republican commitment to bring the 10 specific actions listed in the ``Contract With America'' to the House floor in the first 100 days of the new session. The last thing the country needs is another McCarthy-era witch hunt. Gingrich is smart enough to know that, so it's likely that, having planted his little accusation, he will simply let it lie there.

But the mere planting of it suggests a lot about how he perceives the people in the opposition party with whom he will be doing business over the next two years. Gingrich earlier served notice on the White House that his idea of cooperation is Democratic capitulation, saying he would ``cooperate'' but not ``compromise.'' It's not hard to see why he takes this attitude, if he sees the Clinton White House as a nest of ``counterculture'' vipers who don't share the values he believes are at the core of acceptable behavior and thought for, as he put it earlier, ``normal Americans.''

**** filed by:KR-F(--) on 12/05/94 at 13:24EST ****
**** printed by:WHPR(103) on 12/06/94 at 08:22EST ****

PAGE 6A WILL AID INVESTIGATION: Robert Palmer.
A guilty plea in Whitewater probe
Businessman admits backdating real estate papers

LITTLE ROCK, Ark. (AP) A businessman in the Whitewater investigation pleaded guilty Monday to backdating property appraisals at a savings and loan owned by President and Mrs. Clinton's former real estate partners.

Robert Palmer, 44, promised to cooperate fully in the investigation of the Clintons' finances and of Madison Guaranty Savings and Loan, the failed thrift once owned by Jim and Susan McDougal.

Palmer's work for Madison Guaranty links him to real estate transactions involving Gov. Jim Guy Tucker and former Municipal Judge David Hale, a key witness in the Whitewater investigation.

In a hearing before U.S. District Judge G. Thomas Eiselein, Palmer admitted he conspired to defraud federal bank investigators by making false entries on at least 25 appraisals for loans Madison Guaranty already had made.

The false documents were filed, he said, because Madison executives were anxious to have their files complete before federal auditors arrived.

Palmer said he did not file the false documents for personal gain, but that his actions were ``based on my personal failure to put aside personal relationships in performing my professional obligations.''

Assistant Independent Counsel Stephen Learned said Palmer conspired with at least one Madison executive, H. Don Denton, the one-time head of the failed S&L's loan department.

The McDougals were partners in 1978-92 with Bill and Hillary Rodham Clinton in the Ozarks real estate venture known as Whitewater.

Palmer is listed on Madison records as the appraiser for Madison's 1986 loan of more than $1 million to a corporation owned by Tucker.

The loan was for the purchase of a utility, Castle Sewer and Water, which provided utility service to residential and business customers south of Little Rock. When the utility was reappraised in 1992, its value was put at $640,000.

Tucker spokeswoman Max Parker said the governor ``has no personal knowledge'' of any appraisal work concerning the Castle transaction.

**** filed by:DIAL(--) on 12/06/94 at 03:03EST ****
**** printed by:WHPR(103) on 12/06/94 at 08:22EST ****

PM-Gingrich-White House, 3rd Ld-Writethru, a0482,840
White House Brands Gingrich Drug Use Claim `Reckless'
EDs: Top 10 grafs new with further Myers reaction and denial; picks up pvs 8th graf, Asked about ...
AP Photo WX101
With PM Congress-Leaders
By JIM ABRAMS= Associated Press Writer=

WASHINGTON (AP) The Clinton administration today denounced as untrue and ``reckless'' an assertion by House Speaker-to-be Newt Gingrich that up to one-fourth of the White House staff used illegal drugs in recent years.

Gingrich made the claim on Sunday on NBC's ``Meet the Press,'' saying: ``It's very clear that they had huge problems getting people through security clearance.''

The conservative Republican also defended his proposal for placing welfare children in orphanages and suggested that first lady Hillary Rodham Clinton see the old movie ``Boys Town'' before discounting the idea.

White House spokeswoman Dee Dee Myers today denied Gingrich's allegations on drug use, saying that the White House had a stringent policy against drug use and adheres to random drug testing rules.

Myers said that if any employees tested positive for drugs they wouldn't be working at the White House any longer.

``It's irresponsible,'' she said. ``He offered no evidence to support his reckless charges. He offered no facts, he offered no names.''

She said that everyone who works at the White House was asked in writing if they had used illegal drugs within the previous five years as part of the FBI clearance process.

``They ask you in interviews whether you've ever used them,'' she added.

Gingrich has said he would tone down his bombastic rhetoric upon assuming the House leadership in the GOP-run Congress that convenes in January, but he was at his most provocative in the Sunday television appearance.

Gingrich cited a senior law enforcement official who told him that ``in his judgment, up to a quarter of the White House staff, when they first came in, had used drugs in the last four or five years.''

Asked about his own use of marijuana as a youth, Gingrich treated it lightheartedly, saying it was ``a sign we were alive and in graduate school in that era.'' Gingrich, 51, is three years older than the president, who has also acknowledged he tried marijuana in college.

Gingrich also asked rhetorically how Clinton could have a surgeon general, Joycelyn Elders, who said legalization of drugs should be considered. ``I assume he shares her values. I assume he thinks it's OK.'' Clinton does not when Elders made her suggestion, Clinton publicly disagreed with her.

On his plan to revive orphanages as an alternative to welfare payments, Gingrich accused opponents of saying in effect ``to a 13-year-old drug addict who is pregnant, you know, put your baby in
a Dumpster, that's OK, but we're not going to give you a boarding school.''

Gingrich, in a proposal controversial even among Republicans seeking radical welfare reform, has advocated taking savings generated by denying aid to mothers on welfare to provide services to children, including promoting adoptions and establishing orphanages or group homes.

Mrs. Clinton last week said the idea of taking children away from their mothers was ``unbelievable and absurd.''

Gingrich said Sunday he would ``ask her to go to Blockbuster and rent the Mickey Rooney movie about ``Boys Town.''' That 1938 film, co-starring Spencer Tracy, is the story of Father Edward Flanagan and the first Boys Town for troubled youth he founded in Omaha, Neb., in 1917.

``I don't understand liberals who live in enclaves and safety who say, `Oh, this would be a terrible thing. Look at the Norman Rockwell family that would break up.''' Gingrich said. ``The fact is we are allowing a brutalization and a degradation of children in this country.''

The Child Welfare League of America, in an analysis conducted for Time magazine, concluded that if one-quarter of the estimated 1 million children affected by welfare cutoffs end up in orphanages, the additional cost to the public would be $8 billion.

The organization said welfare costs of one child living with his or her mother is $2,644 a year, while it would cost $4,800 to house the same child with a foster family and $36,000 annually for ``residential group care.''

Gingrich said his allegations on recent drug use among White House staff backed up his claims that ``you've got scattered throughout this administration counterculture people.''

The Republican leader recently took heat for referring to Clinton and the first lady as ``counterculture McGovernicks.''

Gingrich said there was no comparison between Clinton's support of George McGovern, the Democrat's liberal candidate for president in 1972, and Gingrich's own support for liberal Nelson Rockefeller who ran against Richard Nixon and Ronald Reagan for the Republican nomination in 1968.

Gingrich also protested ``that's not true'' when a reporter suggested that he, like Clinton, avoided military service during the Vietnam War.

Gingrich said he had a student deferment before the war and two children. He said he joined the ROTC but dropped out ``because it didn't pay.''

**** filed by:APE-(--) on 12/05/94 at 07:20EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:05EST ****

PM-Kennedy Awards,750
Kennedy Center Honors `An Inconvenient Artist'
AP Photos WX103, WX104, WX105
Eds: Also moved on national wire as a0446
By CHRISTOPHER CONNELL= Associated Press Writer=

WASHINGTON (AP) Four decades after being blacklisted in the McCarthy era, folk singer Pete Seeger heard first lady Hillary Rodham Clinton and much of official Washington sing his songs and his praises.

And Arlo Guthrie evoked cheers at a Kennedy Center gala Sunday night with a swipe in song at California's anti-immigrant Proposition 187.

It was a night for poignant tributes in words, dance and music to five great American performers Seeger, actor Kirk Douglas, soul singer Aretha Franklin, composer Morton Gould and Broadway director Hal Prince.

President Clinton feted this year's winners of the Kennedy Center honors first at the White House before he left to catch a red-eye flight to a European security conference in Budapest, Hungary.

All five, he said, deserved ``a national standing ovation.''

He called the 75-year-old Seeger ``an inconvenient artist who dared to sing things as he saw them.''

``He was attacked for his beliefs, and he was banned from television,'' the president noted, adding quickly ``Now that's a badge of honor.''

Seeger practically wrote the songbook for the civil rights and antiwar movements of the 1960s with such songs as ``If I Had a Hammer'' and ``We Shall Overcome.'' He was blacklisted in the early 1950s for refusing to answer questions about Communist affiliations.

Guthrie recalled that when some folks suggested making his father Woody Guthrie's ``This Land is Your Land'' the national anthem, Seeger dissented, saying, ``The worst thing you can do is make a song official.''

Guthrie, looking up to the tuxedo-clad, beribboned Seeger in the presidential box, quipped, ``I'm wondering what we're going to do now that you've become official.''

Guthrie also got in a dig at California's new strictures on illegal aliens by updating the lyrics from ``This Land is Your Land'' about a no trespassing sign:

``On one side, it said Proposition 187.
But on the other side, it didn't say nothing.
That side, was made for you and me!'''

Guthrie sang Seeger's ``If I had a Hammer,'' while Roger McGuinn of the Byrds sang ``Turn, Turn, Turn,'' the Ecclesiastes-inspired piece for which Seeger wrote the lyrics, and Joan Baez soloed on ``Where Have all the Flowers Gone?''

The show began with a hand-clapping, foot-stomping tribute to the Queen of Soul, Aretha Franklin, that featured Patti LaBelle, the Four Tops and the gospel choir from her father's church in Detroit, New Bethel Baptist.

``What other voice could command so much R-E-S-P-E-C-T,'' said dancer Arthur Mitchell, himself a past honoree. ``In an age of cool, Aretha, you made cool hot.''

At the White House, Clinton said the 52-year-old Franklin the youngest honoree in the 17-year history of the Kennedy Center awards had long been a favorite.

``You could say that Hillary and I went to college and law school with Aretha because there was scarcely a day when we didn't listen to one of her songs,'' said the president.

As for Douglas, the president said he had seen ``almost every one of his movies'' and, alluding to the challenges he faces with a new Republican-led Congress, added, ``I'm trying to figure out whether when this administration's history is over, whether it will be more like `Spartacus' or like the `Gunfight at the OK Corral.'''

Douglas, 77, the ragman's son who became a movie tough guy, later was saluted by his son, Michael Douglas.

``When we were little kids we saw the fun that you were having,'' said the actor, one of four Douglas sons in the movie business. ``That's why we're not lawyers and accountants.''

Prince, 66, the musical producer-director, was honored with big production numbers from Broadway hits, ``Phantom of the Opera,'' ``Kiss of the Spider Woman'' and his current revival of ``Showboat.''

``He has given us dark nights of the soul in the bright lights of Broadway,'' said Jane Alexander, the actress turned head of the National Endowment for the Arts.

Tony Randall and the U.S. Army Concert Band led the tribute to Gould, 80, the composer whose work has fused elements of jazz, folk, gospel and even rap with classical composition.

Fireworks exploded over the Opera House stage at the finale of his ``An American Salute.''

The two-hour show will be televised on CBS on Dec. 28.

**** filed by:APE-() on 12/05/94 at 02:29EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:06EST ****

PM-AR--Whitewater-Starr, 1st Ld-Writethru,320
Whitewater Investigator Plans Announcement This Week
Eds: SUBS lede to correct verb tense; picks up 2nd graf, bgng Debbie Gershman ...; Lede prospects uncertain
db2phfonfls

LITTLE ROCK (AP) Whitewater investigator Kenneth Starr was expected to make an announcement today on an undisclosed subject.

Debbie Gershman, Starr's spokeswoman, said Saturday the office would make an announcement this afternoon in Little Rock and possibly make another announcement Tuesday afternoon. She declined further comment.

A source close to the Whitewater investigation told The Associated Press last week that Webster Hubbell, formerly the No. 3 man in the Justice Department, had agreed to plead guilty to mail fraud and tax evasion charges.

The charges apparently stem from allegations he overbilled clients and the Rose Law Firm of Little Rock, where he and first lady Hillary Rodham Clinton were partners before President Clinton was elected.

One of the announcements would presumably provide details of Hubbell's plea bargain; the other may involve the announcement of indictments stemming from the Whitewater investigation.

Starr's office has been heading a federal investigation into the Whitewater Development real estate company in Arkansas and President and Mrs. Clinton's involvement in the business when Clinton was governor of Arkansas.

The investigation has included a review of the failed Madison Guaranty Savings & Loan Association in Little Rock and its owner James McDougal of Arkadelphia, a former business partner of the Clintons and former business associate of Jim Guy Tucker, now governor.

Hubbell, 46, resigned as associate attorney general in March amid reports of complaints about his billing and expense practices at the Rose Law Firm.

Hubbell also is a former Little Rock mayor and served as chief justice of the Arkansas Supreme Court as a Clinton appointee.

**** filed by:APW-(AR) on 12/05/94 at 01:21EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:07EST ****

NEW YORK TIMES EDITORIAL: THE MYTH OF `NEGATIVE STORIES'

The New York Times said in an editorial on Sunday, Dec. 4:

Michael and Arianna Huffington emerged last week to explain their $28 million defeat in the California Senate race. A turning point, Huffington said, was the ``week or two we suffered a lot of negative publicity'' as a result of the press ``ganging up'' on the candidate and his wife.

Huffington's critique bears closer examination. Over the past year, a kind of linguistic pollution has crept into the American political discourse. Candidates and their minders have twisted the language to define a category of ``negative stories,'' the publication of which is inherently unfair.

In fact, when candidates and political professionals talk about ``negative stories,'' they are usually referring to journalism that gives readers information that the campaigns wish they did not have.

Take the Huffingtons' case. The week of ``negative'' news to which the congressman referred began with legitimate stories exploring the relationship of his principal adviser, who was also his wife, with a decidedly irrational religious cult.

Later stories explored other Huffington practices, including the employment of an illegal alien, that seemed strikingly relevant to the choice before California voters. Thus, as defined by the Huffingtons, ``negative'' journalism was that which punctured the veneer created by Huffington's television ads.

Republicans are not alone in identifying sound journalism as ``negative.'' President Clinton is wont to dismiss any story that is objectively inquisitive rather than uncritically laudatory as ``attack journalism.''

Hillary Rodham Clinton's antipathy to normal journalistic curiosity led her to use a sexist stereotype to describe the presence of reporters: ``It's like your mother-in-law coming for Thanksgiving dinner.''

Rep. Newt Gingrich, the Republican House leader, shares the Clintons' mindset. He sees inquiries into subjects such as the financial ties between his college lecture series and his GOPAC political action fund as reflecting journalists' politics rather than their commitment to informing their readers.

Much of this is business as usual. Politicians often whine in defeat and hunker down in victory. But there has been a linguistic shift for which journalists are partly to blame. They have adopted the language and typology of scholars who believe life has gotten too hard for candidates and want to make it easier by having reporters pull their punches.

Thus we find both Clinton advocates and Gingrich -- and some reporters who should know better -- quoting the Center for Media and Public Affairs, which counts ``positive'' and ``negative'' stories on television.

``Negative,'' in this usage, really means a story that drives down poll ratings. ``Positive'' seems to mean one that goes along with the informational facade being put forward by the candidate or government.

The center, for example, found that Clinton, in his first six months in office, was the subject of 13 percent more ``negative evaluations'' on news shows than was President Bush in his first six months. The mindless counting, of course, ignores the reality that Bush's performance was more competent during the periods under study.

It does not hurt to restate an obvious premise of political reporting. Worrying about the negative or positive impacts of stories is the business of public relations, not journalism.

20:29 EST DECEMBER 3, 1994

**** filed by:NYT-(--) on 12/03/94 at 20:33EST ****
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Hubbell to plead guilty

WASHINGTON, Dec. 2 (UPI) Former Justice Department official Webster Hubbell has agreed to plead guilty to two felony counts and will cooperate with prosecutors investigating the Whitewater affair, The New York Times reported Friday.

Hubbell agreed to plead guilty to mail fraud and tax evasion in connection with false billings he submitted to the government when he was in private practice with the Rose law firm in Little Rock, Ark., the same firm where Hillary Rodham Clinton was a partner, the newspaper said.

Hubbell, a close friend of President and Mrs. Clinton, resigned his post as the No. 3 official in the Justice Department in March.

The charges against Hubbell are indirectly related to Whitewater, the Arkansas real estate venture in which the Clintons invested. Some of the alleged false billings covered work for federal regulators examining a failed Arkansas thrift, Morgan Guaranty, owned by James McDougal, the Times reported.

McDougal was the Clintons' partner in the Whitewater venture.

The charges are the first brought against any official stemming from the Whitewater probe and the first brought by special prosecutor Kenneth Starr, who took over the investigation in August.

The Times reported that Whitewater investigators had been looking to see whether Hubbell played any role in the Justice Department's handling of criminal referrals made by savings regulators about Morgan Guaranty. The failed savings and loan eventually cost the government $60 million.

The Whitewater investigation has been looking into whether Madison Guaranty was used to funnel improper payments to either the Whitewater land venture or to Clinton's campaigns when he ran for governor of Arkansas.

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**** printed by:WHPR(JEL) on 12/05/94 at 08:08EST ****

PM-Whitewater,560

Hubbell Plea Bargain Poses Intriguing Prospect for Prosecutors

By PETE YOST= Associated Press Writer=

WASHINGTON (AP) Planning to delve into possible political interference by the Clinton administration, prosecutors in the Whitewater affair are interested in talking to their latest catch former Justice Department official Webster Hubbell.

They want to know about any conversations Hubbell, who was associate attorney general, might have had about two criminal cases that spawned Whitewater, say two lawyers familiar with the investigation by prosecutor Kenneth Starr.

Obtaining Hubbell's cooperation ``on this and other matters has been the plan from the start,'' said one of the lawyers.

Hubbell has agreed to admit to mail fraud and tax evasion, a source close to the investigation told The Associated Press on Thursday. The charges appear to stem from allegations he overbilled clients and his former firm as a private lawyer. As part of a plea bargain, defendants routinely agree to fully cooperate with prosecutors.

According to the two lawyers, speaking on condition of anonymity, Starr plans to find out whether the U.S. attorney's office in Little Rock, Ark., was interfered with when it handled:

Criminal allegations by the Resolution Trust Corp., the government's S&L cleanup agency, about the failed Madison Guaranty Savings & Loan Association, an Arkansas firm once owned by the Clintons' Whitewater business partners. Hubbell and Hillary Rodham Clinton were partners at the Rose Law Firm in Little Rock, which at one time did legal work for Madison Guaranty.

The case against former municipal judge David Hale, who repeatedly told prosecutors that he had information linking President Clinton to an improper federally backed loan.

What is drawing the prosecutors attention: U.S. Attorney Paula Casey in Little Rock is a former Clinton campaign worker and her office in the fall of 1993 brushed aside Hale's allegations touching on the Clintons.

In March, after the Whitewater affair erupted and a special prosecutor was appointed, Hale became a cooperating witness, pleading guilty to a pair of felonies in exchange for his information about Arkansas politicians.

Hale is talking to the Whitewater prosecutor on a range of subjects including a $300,000 federally backed loan to one of the Clintons' Whitewater partners that was never paid back. Hale said he was pressured by Clinton to make the loan.

One of the two lawyers suggested prosecutors might use telephone records and calendars during Hubbell's Justice Department tenure as a road map to examining whether the Clinton administration interfered in the two probes.

Hubbell resigned in March.

The fall of a close friend is yet another blow to a Clinton administration already facing a Whitewater onslaught from Capitol Hill when Republicans take over Congress in January.

A key congressional Republican, Rep. Jim Leach of Iowa, said the news about Hubbell ``underscores the seriousness of the Whitewater investigation.''

``The actions of Mr. Hubbell and the Rose Law Firm will be the subject of proper review'' by Congress ``at the proper time,'' added Leach, who likely will chair the House Banking Committee.

And Sen. Alfonse D'Amato, R-N.Y., who will head the Senate Banking Committee, said the ``apparent guilty plea of Webb Hubbell confirms the need for Congress to continue its investigation into the many unanswered questions concerning the Whitewater controversy.''

**** filed by:APE-(--) on 12/03/94 at 00:51EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:08EST ****

PM-Health-Task Force,390
Judge to Kill Health Task Force Lawsuit if Documents Made Public
By LAURIE ASSEO= Associated Press Writer=

WASHINGTON (AP) A federal judge says he will dismiss a lawsuit over the Clinton administration's health-care reform task force if the government fulfills its promise to make the group's documents public.

U.S. District Judge Royce C. Lamberth said Friday that after the case is resolved, he will rule on sanctions he has said he will impose on the government for foot-dragging in the case.

Justice Department lawyer Thomas Millet said the government will release documents and computer disks sought by three groups that challenged the secrecy of working groups for the health care task force, which was headed by Hillary Rodham Clinton.

``We frankly have nothing to hide in those documents,'' Millet told Lamberth during a hearing.

``We're delighted with their decision,'' Thomas R. Spencer Jr., the lawyer for the three groups, said afterward. ``All we've sought from the beginning is to have all the facts out on the table.''

The administration had sought to end the case in August by releasing nearly 500,000 documents. Lamberth said the additional release promised by the government Friday would make public more documents than legally required.

``I commend them for that and I have no problem,'' the judge said. If the government releases those documents by Dec. 14, he added, ``Then I will rule this case is moot.''

Lamberth said he then would address the question of sanctions. He noted he had indicated in November 1993 that he would award attorneys' fees to the three organizations because of the government's failure to turn over documents in the case.

Lamberth said he had not calculated the amount of those fees, and that he would not rule on any other proposed sanctions or contempt citation until after the case is resolved.

The three groups have asked Lamberth to rule White House aide Ira Magaziner in contempt of court. They accuse Magaziner of lying in a March 1993 affidavit, when he said all members of the working group were either government employees or consultants. The government has said that was true at the time.

The groups that sued are the Association of American Physicians and Surgeons, the American Council for Health Care Reform and the National Legal Policy Center.

**** filed by:APE-(--) on 12/03/94 at 00:25EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:09EST ****

AM-CA--McDougal Plea,270
Whitewater Figure Pleads Innocent to Embezzlement
tplossdlda

SANTA MONICA, Calif. (AP) A key figure in the Whitewater affair pleaded innocent Friday to charges she embezzled money while working as a bookkeeper for symphony conductor Zubin Mehta.

Susan McDougal is accused of forging checks and making unauthorized credit card purchases while working for former Los Angeles Philharmonic conductor Mehta and his wife, Nancy.

Ms. McDougal faces one count of grand theft with a special allegation that it involved more than $150,000; one count of check forgery; three counts each of fraudulent use of credit cards and income tax evasion; and two counts of making false financial statements.

If convicted, she faces a maximum seven-year prison sentence, said Deputy District Attorney Jeffrey Semow.

A pre-trial hearing was set for Jan. 12, Semow said.

Ms. McDougal and her ex-husband, James McDougal, were partners with President Clinton and Hillary Rodham Clinton in the Whitewater real estate investment.

The investigation into the Whitewater matter is expected to intensify next month when Republicans take over Congress.

Leonard Levine, Ms. McDougal's lawyer, has said his client's problems with the former conductor stem from a falling-out with Nancy Mehta.

Ms. McDougal claims the expenditures were agreed-upon overtime payments for added responsibilities she took on as bookkeeper.

Among the credit card bills in dispute are trips Ms. McDougal took to Arkansas and Texas, one of which included a $9,000 shopping spree.

**** filed by:APW-(CA) on 12/02/94 at 23:40EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:09EST ****

bc-pols-damat
D'AMATO EAGER TO FLEX MUSCLE
By JOHN MACHACEK=
Gannett News Service=

WASHINGTON It's payback time for Alfonse D'Amato.

Flexing his muscle as incoming chairman of the Senate Banking, Housing and Urban Affairs Committee, the New York Republican is moving to reopen the GOP-driven Whitewater hearings that were restricted by Democrats last year.

No matter that a CBS poll last week showed nearly two-thirds of Americans believe further hearings unnecessary. For D'Amato, there must be a full accounting of the Clinton administration's actions involving a failed Arkansas savings and loan owned by a former associate of Bill and Hillary Clinton.

D'Amato also says he'll push the Senate to investigate the Justice Department now that a federal appeals court has reversed the mail-fraud conviction of his brother, Armand.

``I had to be quiet (during a five-year Justice Department prosecution of his brother). I had to endure ... having all that thrown at me. Who gives you back your reputation?'' D'Amato said in an interview this week. ``I may reveal what I know to be a horrible political prosecution.''

D'Amato was not charged in the case. But he was rebuked after a Senate ethics probe concluded he had improperly allowed his brother to use his Senate office in connection with the charges. The probe cleared D'Amato of other influence-peddling charges brought by political opponents in the late 1980s.

Today, D'Amato feels vindicated on all fronts.

Last month, New York elected its first Republican governor in 20 years, despite GOP concern during the campaign that D'Amato's past problems were a liability for Gov.-elect George Pataki.

New York City Mayor Rudolph Giuliani once a potential threat to D'Amato's leadership of the state Republican party, has become a GOP outcast for endorsing Mario Cuomo the defeated Democratic incumbent.

Over Thanksgiving weekend, D'Amato and his allies ousted state Senate Majority Leader Ralph Marino, the Long Island Republican who worked to block Pataki's nomination. One of their own, state Sen. Joseph Bruno of the Albany area, is the new majority leader.

``My perfect trifecta,'' D'Amato said after Election Day of the Republican takeover of Congress, Pataki's victory and the overturning of his brother's fraud conviction in late October.

The victories kept coming this week. Friday, D'Amato was elected chairman of the National Republican Senatorial Campaign Committee, which raises money and provides advice for Republican candidates. The position gives him a voice in the Senate GOP leadership group.

Next week, he expects to be formally installed as Senate banking committee chairman. The panel oversees banking, the financial services industry, housing and urban programs.

In the interview, D'Amato said that while Whitewater tops his agenda he wants to restart hearings as quickly as possible one of his other priorities is giving the ``working poor'' a greater chance at homeownership.

He said he had asked his staff to ``revisit'' the issue of finding alternatives to public housing projects while promising to ``protect'' current low income housing subsidies from the GOP budget cutting axe.

D'Amato has ruled out trying to revive former Housing and Urban Development Secretary Jack Kemp's program to help people living in public housing buy their homes a program declared unworkable by the Clinton administration but mourned by other conservatives.

But he said he favors ``reform and consolidation'' of existing HUD programs to give states and localities more leeway in spending available federal housing funds for subsidizing downpayments and mortgage interest for low income families who want to buy homes.

``If we think this election was a vote for change and I think it was it was a vote for less government bureaucracy and more independent initiative,'' D'Amato said.

On other banking issues, D'Amato:

Called for greater protection for mutual fund investors, especially senior citizens, who mistakenly believe that securities purchased from a federally insured bank carry federal guarantees. ``I don't want to regulate, but we want proper disclosure'' on risky products, he said.

Said he wouldn't try to cap credit card interest rates a proposal he made three years ago when banks uniformly raised rates even though the cost of money was down. ``There is more competition now and banks are maintaining rates notwithstanding the fact that the cost of money is going up,'' he said.

Applauded interest rate hikes by the Federal Reserve Board. D'Amato was the only banking committee member to oppose Fed chairman Alan Greenspan's renomination a few years ago. ``That was because he was raising rates while the economy was flagging; the real estate industry was in total collapse and he exacerbated it,'' D'Amato said. ``Now we have ... real signs of inflation.''

Distanced himself a little from the House GOP's ``Contract with America.'' He favors a ``modest cut'' in the capital gains tax, increased tax credits for children and families, and tax deductions for the self-employed. But he seemed to oppose drastic cuts in spending that the House GOP would have to make to pay for contract proposals.

``We should shrink the deficit by not getting into new government programs,'' he said. ``We'll see if we have the courage.''

But D'Amato said he is still ``Senator Pothole''  willing to bring home the bacon for his state. ``I'll do everything and anything possible to protect the interests of the state.''

**** filed by:GN-F(--) on 12/02/94 at 17:48EST ****
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AM-Hubbell Friend,440
Lawyer Friend Says Hubbell `Loving, Humane, Compassionate'
pyphhkfon

LITTLE ROCK (AP) A lawyer friend of Webster Hubbell, the former No. 3 man in the U.S. Justice Department, said Friday that ``there is not a finer man'' than Hubbell.

Hubbell, 46, reportedly will plead guilty to federal felony charges of mail fraud and tax evasion, possibly involving overbilling while he was at the Rose Law firm in Little Rock.

A former law partner of first lady Hillary Rodham Clinton, Hubbell has been under investigation by Kenneth Starr over allegations that he overbilled legal clients, including the Federal Deposit Insurance Corp.

The charges are expected to come in Starr's ongoing Whitewater investigation, a source close to the investigation has told The Associated Press.

Hubbell, a former Arkansas Supreme Court chief justice and former Little Rock mayor, has not commented on the possible charges. He resigned March 14 as associate attorney general amid disclosures that his billings as a private lawyer were being questioned.

David Hargis, a Little Rock lawyer, said Friday that he's been asked by numerous friends of Hubbell's to make a statement in support of him. Hargis stressed that he doesn't know if the news accounts are true that Hubbell plans to plead guilty.

But ``I ask this nation to demonstrate kindness and mercy to this gentle and wonderful man,'' Hargis said. ``Nothing is to be gained from savage pontification. Webb Hubbell is a better man than any who would villify him.''

Hargis was a classmate of Hubbell's at the University of Arkansas and played on the Razorback football team with Hubbell. Hargis and Hubbell put out the Arkansas Law Review together and the two have been friends since 1966.

Hargis continued, ``There is not a finer man, there is not a more loving, humane, and compassionate man. Whatever his decisions may be, we stand anchored beside him. The world must understand that behind his massive bulk, stands the most sensitive man. And as he walks through hell which he will do and as I have seen him do before he will deeply feel the agony, though he may not show it.''

The wide-ranging Whitewater investigation has included questions surrounding the business activities of Gov. Jim Guy Tucker and President Clinton when Clinton was governor of Arkansas, as well as the failed Madison Guaranty Savings and Loan Association and its owner James McDougal of Arkadelphia.

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bc-Am-Greetings-TN-Card
(WITH PHOTO) TO BUSINESS EDITOR:

AMERICAN GREETINGS PRODUCES OFFICIAL 1994 TENNESSEE GOVERNOR'S HOLIDAY CARD

CLEVELAND, Dec. 2 /PRNewswire/ -- American Greetings (Nasdaq: AGREA) announced today that it has printed the official 1994 Tennessee Governor's holiday greeting card.

The holiday greeting card features an artist's rendering of Gov. Ned McWherter, the Tennessee statehouse and the state flag, with the words "Happy Holidays." The inside of the card features a photo of the McWherter family, the state seal and the verse: "As I prepare to leave office, I wish to thank you for your support. Today, Tennessee is the envy of many states in this great country of ours. Tomorrow, the world will be trying to match our progress. My family and I wish you a Happy Holiday season and many more prosperous New Years."

Artwork for the card was created in Tennessee. The card was printed at American Greetings Ripley, TN, plant and hot stamp finishing was added at the company's plant in Osceola, AR. The cards were printed on recycled paper.

The Governor plans to send 43,000 of the Christmas greeting cards to state employees and an additional 12,000 VIP cards to dignitaries, friends and relatives.

"It was pleasure to work with the Governor and his family on the holiday greeting card," said Morry Weiss, Chairman and Chief Executive Officer of American Greetings. "American Greetings is a part of the Tennessee community, with more than 1,200 associates working at facilities in Afton, Greeneville, Ripley and LaFayette. We look forward to an ongoing presence in the state."

American Greetings also produced and printed the official 1994 White House Christmas Card for President Clinton and First Lady Hillary Rodham Clinton.

"Christmas is the largest sending holiday of the year, with more than 2.8 billion greeting cards expected to be exchanged," said Weiss. "In addition to creating cards for the public, we have a tradition of creating holiday greeting cards on a national level for presidents and vice presidents, and on a state level for governors."

American Greetings is the world's largest publicly owned manufacturer and distributor of greeting cards and related social expression products.

-0- 12/2/94

/NOTE TO EDITORS: A free photo to accompany this story is available immediately via Wieck Photo Database to any media with telephoto receiver or electronic darkroom, PC or Macintosh, that can accept overhead transmissions. To retrieve a photo, please call 214-392-0888/

/CONTACT: John D. Barker, Corporate Communications, of American Greetings, 216-252-4864/ CO: American Greetings Corp. ST: Ohio IN: HOU SU: TB -- CL015 -- 0862 12-02-94 14:57 EST

**** filed by:PR-F(--) on 12/02/94 at 15:02EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:10EST ****

BC-CLINTON-HUBBELL

Clinton friend agrees to help Whitewater probers

NEW YORK, Dec 2 (Reuter) - A close friend of President Bill Clinton has agreed to cooperate with federal prosecutors investigating the first couple's failed investment in an Arkansas vacation resort called Whitewater, The New York Times reported on Friday.

Webster L Hubbell, named by Clinton as the number three official in the Justice Department two years ago, was forced to resign in March in connection with false billings he allegedly submitted to the government while in private practice with a Little Rock law firm in which Hillary Rodham Clinton was a partner.

The newspaper, quoting ``people familiar with the inquiry,'' said Hubbell, apparently concerned about serving a prison sentence, on Thursday signed a plea agreement in which he agreed to plead guilty to mail fraud and tax evasion in connection with the billings scandal.

It said his decision to cooperate with prosecutors was an embarrassment to Clinton, still reeling from last month's congressional election defeat at the hands of Republicans, who are now preparing broader Whitewater hearings.

The question of whether Clinton or his wife misused their influence when he was governor of Arkansas to promote their interests in the Whitewater investment has dogged them since his 1992 presidential campaign.

The charges against Hubbell, a close friend of the Clintons' for over 15 years, are the first against any administration official, current or former, related to Whitewater, the newspaper said.

The charges themselves are only tangentially related to Whitewater.

Some of the false billing involved work Hubbell did for federal regulators examininig a failed Arkansas savings and loan association, Madison Guaranty, owned by the Clintons' partner in the Whitewater venture, James McDougal.

Madison itself is a central focus of the Whitewater investigation, which seeks to determine if the savings institution made improper payments to either the Whitewater Development Corporation venture or Clinton's campaigns for governors.

REUTER

**** filed by:RB--(--) on 12/02/94 at 11:57EST ****
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AM-BRF--Mrs Clinton-Arts,190

First Lady Calls For Continuing Federal Funding of Arts

WASHINGTON (AP) Federal funding for the arts and humanities is like yeast because ``it helps grow the local and state support,'' first lady Hillary Rodham Clinton said Friday.

Mrs. Clinton addressed a meeting of the President's Committee on the Arts and the Humanities, of which she is honorary chair. She talked about the uncertainty of arts funding under the new Republican-controlled Congress.

``I hope that each of us will take seriously the challenge that will confront support for the arts,'' she said.

John Brademas, chairman of the committee, echoed her concerns.

``We have all read about the threats to the very concept of federal support, which has been part of our system for almost 30 years now,'' Brademas said. ``Let's remember that there is a lot that we do not know about the new Congress' priorities. Let us also remember that there is a vast network across the country of artists, scholars, cultural organizations and citizens who benefit from these programs and will be willing to tell their senators and representatives about these benefits.''

**** filed by:APE-(--) on 12/02/94 at 14:54EST ****
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(ED: spot moved as us-clinton)
Clinton salutes Kennedy Center honorees

WASHINGTON, Dec. 4 (UPI) President Clinton saluted the Kennedy Center honorees Sunday evening at a White House reception before wending his way to Budapest for a one-day gathering with European heads of state on security matters.

``I can't believe I'll be in Budapest tomorrow,'' said Clinton at an East Room ceremony as he was saying goodbye to a star-studded audience.

The president took time out to cite the accomplishments of each of the honorees: actor Kirk Douglas; singer Aretha Franklin; composer Morton Gould; producer Harold Prince; and folk singer Pete Seeger.

After citing the films Douglas had starred in, Clinton wondered aloud how his own political career would end in terms of film titles. ``'Spartacus,''' he quipped. ``Or the 'OK Corral.'''

In his remarks, he recalled that John Adams said his career had been devoted to ``war and politics'' and that he hoped his grandchildren would be preoccupied with ``painting, poetry and music'' in tribute to the culture of the country.

In noting that Seeger was banned from television, apparently for his radical views, Clinton said said, ``That's a badge of honor.''

The guest list included Caroline Kennedy, whose father, President John F. Kennedy, had established the Kennedy Center, and welcomed Hollywood and Broadway personalities as well as strong supporters of the Center.

First lady Hillary Clinton and Tipper Gore, wife of the vice president, sat in for the president after he departed and sat together in the presidential box for the annual Kennedy Center program.

**** filed by:UPI-(us) on 12/04/94 at 19:15EST ****
**** printed by:WHPR(JEL) on 12/05/94 at 08:07EST ****

BC-UT--Helping Seniors, Bjt,590
INTERMOUNTAIN FEATURE EXCHANGE
Seniors Companion Program Offers Help To 230 Clients
By MICHAEL NAKORYAKOV= The Salt Lake Tribune=

SALT LAKE CITY (AP) Alta Nuzman has met Hillary Rodham Clinton just once, and talked to her only briefly at the White House during a national forum on independent living.

But her admiration for the first lady borders on adoration.

``I know she truly cares about people,'' Nuzman says.

The 76-year-old Salt Lake retiree knows enough about caring to come to such a swift conclusion. For the past five years, Nuzman has spent more than 1,000 hours a year helping lonely Utah seniors cope with the challenges life poses for many of them.

There are about 75 people in Salt Lake County who, like Nuzman, are members of Senior Companion, a federal program with 500,000 nominally paid workers nationally and several chapters in each state. The Salt Lake County chapter, with about 230 senior clients, is the largest of three Utah branches. The others are in Weber and Utah counties.

Every day the companions, as they are called, travel to the seniors' homes to provide personal care assistance, cook, write letters and do hundreds of other odd jobs. They are tasks that may seem simple to someone healthy and strong but can be difficult to accomplish if not.

But most importantly, these people none of them younger than 60 offer their aging clients friendship and help them to fight the loneliness that can be more devastating than any illness.

``This is a multipurpose program, and it is difficult to say who benefits more,'' says Senior Companion Director Dwight Rasmussen, who has been coordinating the program since it started in Salt Lake County in 1985.

They also get a number of benefits such as transportation reimbursement, free physical examinations, accidental and personal liability insurance and a nontaxable stipend of $2.45 an hour.

The federal government covers about 65 percent of Salt Lake County's $339,000 annual cost. Senior companions must be at least 60 years old and have income no higher than 125 percent of the poverty level.

``They probably would make more money working at a McDonald's, but then they would risk losing their welfare and subsidized housing,'' Rasmussen says. ``For these people, an extra $2.

But Nuzman, who now has four clients in their late 80s and 90s, says she would work as a senior companion even if there were no pay at all.

``The program has helped me because I needed a real purpose in life after I lost three family members close together,'' says the retired hospital cook, munitions maker and government worker.

``Besides, after you have worked all your life, you just need something that makes you wake up in the morning and get out of the house.''

Betty Ann Shaughnessey, who became a senior companion after her retirement from a technical job at a hospital in 1991, says that being responsible for ailing people makes her feel a lot better morally and physically.

``I am 71 years old myself, and some of my clients aren't that much older,'' Shaughnessey says.

``But I know I have my duties, and I move a lot. I drive around the city visiting people, go shopping with them, take them to see a doctor or simply for a walk, which they probably won't be able to do without my help,'' she says. ``It really gives my life a new meaning.''

Shaughnessey's client, 74-year-old Jesse Weyland of South Salt Lake, says having a companion means more than just being helped around the house.

``Betty Ann is great we can just sit and talk for hours, or watch my favorite game shows and country music videos together, and none of us gets bored,'' says Weyland, who has endured 34 surgeries due to chronic arthritis and has to spend most of her time in bed.

``You bet we are friends!''

AM-AR--Tucker-RTC, Ark Bjt,310
RTC Appeal of Tucker Subpoena in Federal Appeals Court= jslid
By The Associated Press=

Written arguments are due next month in the Resolution Trust Corp.'s effort to subpoena financial records from Arkansas Gov. Jim Guy Tucker.

The RTC has challenged a ruling in U.S. District Court in Washington that blocked enforcement of the subpoena. The federal agency in charge of the savings and loan bailout wants information from Tucker about his dealings in 1980 with Jim McDougal, as well as information on Tucker's personal finances.

In October, Tucker's lawyers successfully argued that the RTC does not have authority to enforce a subpoena in the Washington circuit for a case involving alleged activities in Arkansas.

``The court may reach parties like Tucker, who live outside the jurisdiction, only if it is authorized to do so by federal statute, the local long-arm statute or the federal rules of civil procedure,'' U.S. District Judge Harold Green wrote.

The federal statute does not explicitly give the RTC power to issue a subpoena in one circuit court aimed at someone who lives in another circuit, Green said.

The RTC has appealed to the U.S. Court of Appeals for the District of Columbia.

The RTC issued similar subpoenas to McDougal. Green ordered enforcement of those subpoenas because McDougal did not challenge them in court.

McDougal owned Madison Guaranty Savings and Loan in Little Rock, which failed in 1989. His activities are part of the Whitewater special counsel's investigation. Tucker had business dealings with Madison and McDougal in the 1980s.

Bill and Hillary Rodham Clinton were partners with McDougal and his then-wife, Susan, in the Whitewater Development Corp., which owned a residential development along the White River in Marion County.

**** filed by:APW-(AR) on 12/04/94 at 13:14EST ****
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BC-GINGRICH

Gingrich tells Hillary: see ``Boys Town''

WASHINGTON (Reuter) - Incoming House speaker Newt Gingrich said Sunday that Hillary Rodham Clinton should rent a video of the 1938 film classic ``Boys Town'' if she doubts his plan to build orphanages to reduce welfare rolls.

``I would ask her to go to Blockbuster and rent the Mickey Rooney movie 'Boys Town,''' Gingrich said on NBC's ``Meet the Press'' program when asked about the first lady's criticism of his proposal.

President Clinton last week called Gingrich's proposal to promote orphanages as ``unbelievable and absurd'' in a speech to the New York Women's Agenda, a non-profit group.

Mickey Rooney starred in the film about Father Edward Flanigan, a Roman Catholic priest who in 1917 founded a home in Omaha, Neb., for abused or delinquent children. Boys Town, which takes care of girls as well, now operates homes in Florida, Texas and California.

Gingrich has endorsed a bill in the House that would ban states from paying welfare benefits to children whose paternity is not established and to those born out of wedlock to women under 18.

The money saved would be used to establish orphanages, group homes for unwed mothers and promote adoption.

Gingrich said that this would be preferable to the present system which is ``allowing the brutalization of children in this country.''

``There were 800 cases of child abandonment in this city (Washington) alone,'' he said.

In the wide-ranging interview, Gingrich also said that he had been told that up to a quarter of the White House staff had used drugs.

``I had a senior law enforcement officer tell me that up to a quarter of the White House staff had used drugs within the last four years,'' Gingrich said.

He said that was why it had taken longer than normal for the staffers to gain security clearances.

REUTER

**** filed by:RB--(--) on 12/04/94 at 12:03EST ****
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AM-First Lady's Mother, Bjt,880
At 75, Dorothy Rodham's Not Afraid to Try Something New
By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) Dorothy Rodham, the nation's first mother-in-law, had some time on her hands between helping her son on the campaign trail and her daughter at the White House. So she climbed out of a plane, into a car and headed to a concert.

A Rolling Stones concert.

``She didn't know anything about them,'' Hillary Rodham Clinton said of her 75-year-old mother in an interview Tuesday. With a huge, cackling laugh, the first lady added, ``I don't think she could have told you two songs they ever sung.''

If the story reveals anything about Mrs. Rodham it is only because so little is known about her: The intensely private Arkansas resident was a stay-at-home mother of the '50s who raised two boys and a first lady; who married early and attended college late; who found a more intimate relationship with her granddaughter after losing her husband to a fatal stroke.

But the first lady said the anecdote illustrates her mother's most endearing qualities: a sense of humor, devotion to family and an immense sense of adventure.

A few days after her son, Hugh, was defeated in a Florida Senate race and her son-in-law, Bill, lost face in the same midterm elections, Mrs. Rodham returned to Little Rock from Florida. A group of her friends met her at the airport with tickets to that night's Stones concert.

``Why don't you try this new experience?'' One of them asked. She did.

Over dinner at the White House last Sunday, she cracked up the family with stories about the concert. According to Mrs. Clinton, ``She kept telling us, `That Mick Jagger, he's quite a performer! For a 50-year-old man, he can really get around.'''

And so does his newest fan.

Mrs. Rodham spent several days in Florida campaigning for her son in his unsuccessful bid to unseat Republican Sen. Connie Mack. She returned in time for the concert, but headed to the White House a few days later to help keep an eye on the Clintons' daughter, Chelsea, while the Clintons were in Indonesia.

``She has a special relationship with Chelsea,'' Mrs. Clinton said. After the death of the president's mother, Virginia Kelley, and Mrs. Clinton's father, Hugh Rodham, ``Chelsea's relationship with my mother has gotten even closer,'' Mrs. Clinton said.

Grandmother and granddaughter share the same sense of humor and sense of adventure. ``They wear everybody out. They go to museums together and never quit until they go to every nook and cranny to see everything,'' Mrs. Clinton said.

The first lady said her relationship with her mother has always been good. ``Well, there were times when she was appalled by what my friends or I would wear and the continuing saga of my hair,'' she conceded.

Not so tough at age 4, the first lady got her ``first and best advice'' from her mother after she came running home, scared of a bully. Mrs. Rodham blocked her path and said, ``There is no room for cowards in this house. You have to go back outside and deal with problems like this.''

It's clear Mrs. Rodham had an impact on her family. But who is she?

Through her daughter, she politely declined interview requests. ``She's not a public person and doesn't want to become one,'' the first lady said. And the little bit written about her reveals little.

She grew up near Pasadena, Calif. Her father was Welsh; her mother was Scottish and French and Indian. One biographer said she ``doesn't remember her childhood too fondly,'' but Mrs. Clinton did not explain why.

She met Hugh Rodham in 1937 while applying for a secretarial job at Columbia Lace Co., where he sold curtains. They married in 1942.

The Rodhams lived in suburban Park Ridge, Ill., and spent time in the summers at a cottage in Hugh's home state, Pennsylvania. Manny Gelb of Scranton, Pa., remembers visiting his old friend and Hugh's new wife in Illinois.

Hugh, who worked long hours in the city, asked Gelb to take his wife dancing while he was in town. ``She was a real mom-type of woman,'' he said of Mrs. Rodham in a telephone interview.

Mrs. Rodham once told a reporter that her husband's hours kept her busy at home. ``I spent all my time in the car then,'' she said. ``I had three children and each one had his or her little activity. I always encouraged them to do what they wanted to do. So
I spent my time driving back and forth across town.''

She went to college on and off throughout her life, delving into literature and philosophy courses. ``Mom got straight A's,'' son Hugh said once. ``The women in our family are something else.''

She lives now in a comfortable home in a quiet Little Rock neighborhood. She's an avid reader and art enthusiast who enjoys walking the hilly, winding streets near her house and traveling to see her children and their children.

Mrs. Rodham will be at Camp David, the presidential retreat, this weekend, no doubt regaling the family with more Stones stories.

``They still can't believe it,'' one of her Arkansas friends, Patty Howe Criner, said of the family. ``Mom saw the Stones!''

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AM-First Lady's Mother, Bjt,880
At 75, Dorothy Rodham's Not Afraid to Try Something New
By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) Dorothy Rodham, the nation's first mother-in-law, had some time on her hands between helping her son on the campaign trail and her daughter at the White House. So she climbed out of a plane, into a car and headed to a concert.

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``She has a special relationship with Chelsea,'' Mrs. Clinton said. After the death of the president's mother, Virginia Kelley, and Mrs. Clinton's father, Hugh Rodham, ``Chelsea's relationship with my mother has gotten even closer,'' Mrs. Clinton said.

Grandmother and granddaughter share the same sense of humor and sense of adventure. ``They wear everybody out. They go to museums together and never quit until they go to every nook and cranny to see everything,'' Mrs. Clinton said.

The first lady said her relationship with her mother has always been good. ``Well, there were times when she was appalled by what my friends or I would wear and the continuing saga of my hair,'' she conceded.

Not so tough at age 4, the first lady got her ``first and best advice'' from her mother after she came running home, scared of a bully. Mrs. Rodham blocked her path and said, ``There is no room for cowards in this house. You have to go back outside and deal with problems like this.''

It's clear Mrs. Rodham had an impact on her family. But who is she?

Through her daughter, she politely declined interview requests. ``She's not a public person and doesn't want to become one,'' the first lady said. And the little bit written about her reveals little.

She grew up near Pasadena, Calif. Her father was Welsh; her mother was Scottish and French and Indian. One biographer said she ``doesn't remember her childhood too fondly,'' but Mrs. Clinton did not explain why.

She met Hugh Rodham in 1937 while applying for a secretarial job at Columbia Lace Co., where he sold curtains. They married in 1942.

The Rodhams lived in suburban Park Ridge, Ill., and spent time in the summers at a cottage in Hugh's home state, Pennsylvania. Manny Gelb of Scranton, Pa., remembers visiting his old friend and Hugh's new wife in Illinois.

Hugh, who worked long hours in the city, asked Gelb to take his wife dancing while he was in town. ``She was a real mom-type of woman,'' he said of Mrs. Rodham in a telephone interview.

Mrs. Rodham once told a reporter that her husband's hours kept her busy at home. ``I spent all my time in the car then,'' she said. ``I had three children and each one had his or her little activity. I always encouraged them to do what they wanted to do. So
I spent my time driving back and forth across town.''

She went to college on and off throughout her life, delving into literature and philosophy courses. ``Mom got straight A's,'' son Hugh said once. ``The women in our family are something else.''

She lives now in a comfortable home in a quiet Little Rock neighborhood. She's an avid reader and art enthusiast who enjoys walking the hilly, winding streets near her house and traveling to see her children and their children.

Mrs. Rodham will be at Camp David, the presidential retreat, this weekend, no doubt regaling the family with more Stones stories.

``They still can't believe it,'' one of her Arkansas friends, Patty Howe Criner, said of the family. ``Mom saw the Stones!''

**** filed by:APE-(--) on 11/23/94 at 15:45EST ****
**** printed by:WHPR(NLAT) on 11/23/94 at 18:42EST ****

PM-Whitewater-Hubbell, Ark Bjt,770
Clinton Friend to Plead Guilty in Whitewater Probe
AP Photo NY168 of Dec. 1
tpwdc
By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) One of President Clinton's closest friends, former Associate Attorney General Webb Hubbell, plans to plead guilty to two felony charges brought by the Whitewater prosecutor, a source close to the investigation says.

The source, speaking on condition of anonymity, said Hubbell, 46, would admit to tax evasion and mail fraud under an agreement with independent counsel Kenneth Starr.

Hubbell, a former law partner of first lady Hillary Rodham Clinton, has been under investigation by Starr over allegations that he overbilled legal clients, including the Federal Deposit Insurance Corp.

The source would not say whether the charges were directly related to the alleged overbillings. It could not be immediately learned whether Hubbell has agreed to cooperate with prosecutors as part of the plea. It also was not known when Hubbell would enter his plea.

Several news organization had reported over the last week that Starr was close to seeking an indictment of Hubbell. But the former Little Rock mayor and longtime golfing pal of Clinton agreed to enter a guilty plea, said the source.

The Arkansas Democrat-Gazette reported in a copyright story today that the Whitewater grand jury had been expected to consider a possible indictment of Hubbell on Thursday, but that became moot when the agreement with Starr was reached.

Hubbell's lawyer, John Nields, declined comment Thursday. Starr and White House aide Bruce Lindsey, a confidant of both Clinton and Hubbell, also declined comment, their offices said.

A mail fraud charge could arise if a lawyer sent false bills to clients. And if such billings led someone to be reimbursed for expenses not actually incurred, that could lead to tax evasion charges.

Hubbell resigned March 14 as the No. 3 Justice Department official amid disclosures that his billings as a private lawyer were being questioned by his former colleagues at the Rose Law Firm in Little Rock.

The Associated Press reported in March that documents suggested the Rose Law Firm, under Hubbell's supervision, may have double-billed the government for at least $29,400 for cleanup work involved in the failed S&L at the center of the Whitewater inquiry.

Other reports have indicated his law firm also questioned hundreds of thousands of dollars in billings to other clients and the firm.

Ron Clark, spokesman for the Rose firm, declined to comment Thursday evening.

``We're not going to have any comment on the situation now, unless and until the independent counsel announces something,'' he said.

Starr took over the matter as part of his sweeping investigation into the business dealings of the Clintons and other prominent Arkansans.

The failure of Madison Guaranty, which cost taxpayers an estimated $60 million, is now a focus of the Whitewater prosecutor's probe because it was involved in fund-raising for Clinton's gubernatorial campaign and his Whitewater land venture.

Rose firm lawyers, including Mrs. Clinton, had done legal work for Madison before the S&L collapsed.

Afterward, Hubbell was paid by the government to settle a lawsuit against an accounting company accused of negligence in Madison Guaranty's failure.

He settled the $60 million suit for $1 million, obtaining $400,000 in fees for Rose. Hubbell said his actions did not pose a conflict of interest because he informed regulatory agencies that his firm had previously represented the S&L.

In another tie to Madison, Hubbell's father-in-law and brother-in-law took out nearly $1.5 million in loans from the S&L, which was owned by the Clintons' Whitewater business partners, James and Susan McDougal.

The Democrat-Gazette reported that Hubbell's father-in-law, Seth Ward, testified to the Whitewater grand jury this week.

Ward did not return telephone calls to his home Thursday. He told the Wall Street Journal on Wednesday that he was told he was not a target, ``only a witness.''

Ward said the questions he answered related to Madison Guaranty Savings and Loan Association, once owned by James McDougal a key figure in the Whitewater affair, but had nothing to do with the Rose firm.

Ward was questioned about the 1985 purchase of an airplane by McDougal, according to the Democrat-Gazette's source. The airplane was later sold to Ward.

**** filed by:APW-(AR) on 12/02/94 at 01:38EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:20EST ****

PM-OH--Digest Briefs,650
Briefs from Cleveland, Cincinnati and Washington,

CLEVELAND (AP) There's a bit of whimsy by design in this year's White House Christmas card, the artist said Thursday. A close observer can see Socks, the Clinton family cat, and a new saxophone for the president.

But you won't see Bill or Hillary.

Thomas McKnight, commissioned by the Clintons to create the card with American Greetings Corp., departed from the formal approach for a cartoonish look at the White House's Red Room decked out for Christmas.

McKnight, 53, of Palm Beach, Fla., said he took photographs inside the White House a year ago and did his painting early this year. He offered it for the Clintons' approval and said no change was requested.

Cleveland-based American Greetings has produced three cards for President Lyndon Johnson, three for Jimmy Carter and now two for Bill Clinton, all Democrats. A year ago, the company produced a card using a photo of Bill and Hillary Clinton inside the White House.

The 1994 message is: ``Our family wishes you and yours a joyful holiday season and a new year blessed with health, happiness, and peace.''

Harvey Levin, American Greetings vice president, said 250,000 cards were produced at the company's plant in Bardstown, Ky.

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CINCINNATI (AP) A police officer involved in a confrontation with Deion Sanders at Riverfront Stadium had no reason to arrest the Cincinnati Reds outfielder, Sanders' lawyer said Thursday.

The officer, Specialist Herb Kohus, said he was injured when Sanders ignored an order not to drive his motorscooter through a pedestrian gate after a game Aug. 8. Sanders turned and drove off, allegedly dragging the officer with him.

Sanders' lawyer, Kenneth Lawson, has asked a judge to suppress any evidence police obtained. If the request is granted, that effectively would end the case.

Judge David Davis of Hamilton County Municipal Court said Thursday he would review the evidence and announce his decision Jan. 27 unless more evidence is presented then.

He also said Kohus gave conflicting statements about what happened and had no authority to arrest Sanders because he was working off-duty as a private security guard.

Sanders has pleaded innocent to misdemeanor charges of driving without a license, resisting arrest, failure to comply with a police officer's order and two counts of leaving the scene of an accident.

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WASHINGTON (AP) Howard Metzenbaum's final speech as a U.S. senator was an ardent plea Thursday for thumbs down votes on a global trade treaty.

``I think it's a bad deal for America. I think it's a bad deal for American workers,'' he said before the Senate's 76-24 approval of the General Agreement on Tariffs and Trade, or GATT.

The lame-duck session was the end of the Ohio Democrat's 18&1/2-year Senate career. Metzenbaum did not run for re-election, and next year will begin a new career as a consumer advocate.

Democrat John Glennn supported the trade pact. But his approval was as tepid as Metzenbaum's opposition was intense.

While the GATT pact was debated on the Senate floor, Glenn held his final hearing as a Senate committee chairman. He will lose that position in January when Republicans take control of Congress.

Metzenbaum had a full day of television appointments with Ohio crews wanting to document his final senatorial hours. But he made time early to return to the Senate floor to follow up on a Wednesday speech complaining about the abuse of child labor tolerated by GATT.

Glenn said he was supporting GATT's tariff-lowering legislation because he was convinced exports hold the future for jobs.

**** filed by:APW-(OH) on 12/01/94 at 23:04EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:21EST ****

AM-White House-Christmas,650
WHITE HOUSE NOTEBOOK: Beginning to Look a Lot Like Christmas
Eds: Note Missouri interest first item
AP Photos WX116, WX119
By NANCY BENAC= Associated Press Writer=

WASHINGTON (AP) They took down the front door, moved out the chandelier and prepared for an invasion Thursday at the White House.

The Christmas invasion, that is.

First Elf Hillary Rodham Clinton, all in red, presided over driveway ceremonies as a wagon team of Belgian horses carted the official White House tree to the front door.

Mrs. Clinton promised that dozens of people ``like Christmas elves'' would follow close behind to help staff decorate the Colorado blue spruce and about two dozen other trees scattered throughout the house.

An 18-wheeler loaded with garland, wreaths and ornaments was due to arrive on Friday. And volunteer consultants from the Ralph Lauren Creative Services team were recruited to offer decorating advice and help this weekend in the final flurry of tree-trimming.

The 18-foot-tall main tree, appropriately enough, is from Clinton County, Mo. Lynn Schmitt, one of the growers from ``Santa's Forest'' at the Schmitt Tree Farm, said the tree was grown 30 miles north of Harry Truman's home town ``so it has to be high quality.''

At about the same time the tree was being ferried up the driveway, the White House unveiled this year's official Christmas card.

It's a bright reproduction of artist Thomas McKnight's ``White House Christmas'' featuring the Red Room bedecked with Clintonion Christmas finery.

Stockings for the president, Mrs. Clinton and 14-year-old Chelsea hang from the fireplace mantle, and Socks the cat is perched beside the fire. A saxophone sits under the tree.

The card, printed by American Greetings, will go to approximately 200,000 of the Clintons' closest friends. The Democratic National Committee will pick up the tab.

While giving due heed to an array of White House traditions associated with Christmas, the Clintons are observing their own rituals as well.

``We've always loved Christmas in our family,'' Mrs. Clinton said. ``We'll keep our traditions plus have the excitement of our second Christmas at the White House.''

How do the Clintons celebrate Christmas?

Baking cookies and other goodies (with a little help from the White House kitchen), entertaining family and friends (a few more than in Little Rock), and reading Christmas favorites.

``We will of course try to remember what the real reason behind the season is,'' Mrs. Clinton said. ``We spend time re-reading the Christmas story and my husband always like to read `The Night Before Christmas' and go to church.''

And don't forget the shopping.

``I have some done, but not near enough,'' Mrs. Clinton said.

There are still plenty of official Christmas events left on the White House schedule. Mrs. Clinton formally unveils the decorations on Monday.

The National Christmas Tree not to be confused with the White House Christmas Tree will be lighted by the president on Wednesday. (It's behind the White House on the grassy Ellipse.)

And once Clinton gets back from the Summit of the Americas in Miami on Dec. 11, there are Christmas parties, receptions and observances on the schedule almost every night.

About 100,000 people will troop through the White House on public tours during the season and the Clintons will personally entertain about 30,000 guests.

Makes you wonder when they'll have time to bake those cookies.

Christmas festivities aren't the only thing on the schedule in December.

Outgoing Senate Majority Leader George Mitchell, appearing with Clinton at a White House photo session on Wednesday, was peppered with questions from reporters trying to pin down the date of his wedding to Heather MacLachlan.

Clinton was almost out the door when he returned to playfully prod Mitchell, saying, ``Do you want to answer that question, George?''

Mitchell opened up just a little to reveal, ``In December.''

No word on what his plans are this weekend.

**** filed by:APW-(MO) on 12/01/94 at 17:25EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:22EST ****

PM-White House-Christmas,1st Ld-Writethru,210
Christmas Tree Delivered to White House
Eds: ADDS new 5th graf with information about Missouri grower; PICKS UP 5th graf pvs, ``This year's...
With AP Photos WX116, WX120

WASHINGTON (AP) Christmas arrived at the White House today.

A towering blue spruce appropriately from Clinton County, Mo. was carted up the White House drive to adorn the Blue Room at about the same time this year's White House Christmas card made its formal debut.

First Elf Hillary Rodham Clinton, wearing a bright red suit with a gold Christmas tree pin, presided over the driveway ceremonies as two Belgian horses plodded up the lane ferrying this year's tree.

``We've always loved Christmas in our family,'' she said. ``We'll keep our traditions plus have the excitement of our second Christmas at the White House.''

The 18&1/2-foot spruce was cut near Holt in northwest Missouri. It was grown by the Myron Schmitt family, who operate two tree farms.

This year's card features a bright reproduction of artist Thomas McKnight's ``White House Christmas'' depiction of the Red Room bedecked in holiday finery with stockings arrayed on the fireplace mantle.

Mrs. Clinton explained that the White House will be closed for a few days while the main tree and others are decorated by staff and dozens of helpers who are ``like Christmas elves.''

The White House may soon be ready for Christmas, but the first lady says she has a way to go on her own shopping.

``I have some done, but not near enough,'' she said.

**** filed by:APW-(MO) on 12/01/94 at 12:31EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:23EST ****

BC-SUMMIT-MORGUE
Morgue photographers to shoot hemisphere summit

MIAMI (Reuter) - When Dade County sought staff photographers to record this month's Summit of the Americas, it found them in an unusual place -- the county morgue.

The seven photographers at the county medical examiner's office are used to shooting crime scenes and dead bodies, not living world leaders. But they have been assigned to take pictures when 34 presidents and prime ministers from throughout the Americas meet in Miami Dec. 9-11.

Among the events they will shoot are the opening of the summit trade show, a children's summit sponsored by First Lady Hillary Rodham Clinton and an appearance by Secretary of State Warren Christopher.

``I'm pretty excited,'' Ruben Marichal, a staff photographer for the medical examiner's office, told the Miami Herald. ''We'll get to meet a lot more people than we do here.''

REUTER

**** filed by:RB--(--) on 12/01/94 at 15:52EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:22EST ****

PM-WHITEHOUSE national:NY
Clinton swims for mainstream America
By Karen Ball
New York Daily News

WASHINGTON The White House is trying to shed its liberal yoke by disowning causes that could enrage mainstream America.

Since last month's smashing defeat at the polls, President Clinton's aides have moved quickly to head off any government actions that could spark political disasters.

``There is a lot of care being taken to avoid looking too liberal,'' said one administration aide.

In the past week alone, the administration elected not to file a brief in a gay-rights legal battle, and Clinton himself stepped in to reverse a Postal Service plan to drop the Madonna and Child series of Christmas stamps.

The Housing and Urban Development Department also backtracked on controversial rules for seniors-only housing. And there's talk of further retreats, possibly on smoking regulations and expanded family leave for federal employes.

Abandoning some issues such as the smoking rules would lighten up Clinton's big-government image. And it would also let him skip early battles on Capitol Hill, since the Republicans vow to fight such regulations.

Publicly, White House officials insist that this ``smarter'' approach has more to do with chief of staff Leon Panetta's ongoing discipline than with the election. Since Panetta came aboard, he has ordered most cabinet policies to flow through him.

``We're seeing the fruits of centralization,'' said senior aide George Stephanopoulos. ``If appropriate, it flows through the White House...so it doesn't conflict with the President's priorities and principles.''

One Democratic observer noted that the White House is targeting ``areas that don't cost money but show they're spiritually aligned with the electorate.''

But some wonder if it's two years too late, since the President and First Lady Hillary Rodham Clinton got tagged early on as liberals with what has been termed their bureaucratic health care plan and with the issue of gays in the military.

``They've already revealed themselves,'' said a Capitol Hill Democrat. ``Trying to put that genie back in the bottle will not be perceived as genuine. But they don't have any choice.''

**** filed by:KR-F(--) on 12/02/94 at 01:18EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:20EST ****

BC-COURT-HEALTH-HILLARY 1STLD

Judge wants more Clinton health care papers public

(Eds: updates, adds background)

WASHINGTON (Reuter) - A federal judge said Thursday he intends to impose sanctions in a case against the White House health care task force and he wants the group to release more data.

U.S. District Judge Royce Lamberth asked for more documents from a White House health care task force to be made public before the lawsuit against first lady Hillary Rodham Clinton, her top aide top Ira Magaziner and other administration officials can be dismissed.

At the same time, the judge, in a seven-page ruling, said he ``intends to impose sanctions'' because of the ``defendants' misconduct during the course of this litigation.''

He did not give any details about whom he might sanction, what punishment he would order or the misconduct at issue. Sanctions he could impose range from fines to even jail time for contempt of court.

The plaintiffs have charged that Magaziner should be held in contempt-of-court for misrepresenting that the task force was made up mainly of government employees.

The Justice Department had argued that the lawsuit should be thrown out as no longer pertinent because the White House earlier this year made public virtually all of the documents created by the task force that ended its work in May 1993.

The judge called the case ``almost'' moot and said he would give the government ``one last opportunity'' to provide the remaining documents so the suit can be dismissed.

Mrs. Clinton spearheaded the administration's unsuccessful effort this past year to reform the nation's health care system.

The suit was filed by the Association of American Physicians and Surgeons and two other groups against the first lady, Magaziner and other administration officials over access to the task force's deliberations.

Even if the judge dismisses the lawsuit, he said he still would deal with the matter of sanctions.

Lamberth ruled that some documents related to the task force created after May 31, 1993 must be released as well as ``certain electronic versions'' of documents already made public.

He also asked for an index with the reasons why any document continues to be withheld.

Once these steps have been taken, Lamberth said the case would be dismissed.

REUTER

**** filed by:RB--(--) on 12/01/94 at 23:06EST ****

**** printed by:WHPR(103) on 12/02/94 at 08:20EST ****

BC-AK-CARD

First Family Unveils Christmas Card

By Mary Ethridge, Akron Beacon Journal, Ohio Knight-Ridder/Tribune Business News

AKRON, Ohio--Dec. 2--There's a saxophone under the Christmas tree for President Clinton and tea on the table for Hillary Clinton. Socks the cat lounges contentedly by the fire. Three stockings hang on the mantle - one for each of the White House residents.

That's the cheery front of the first family's Christmas card. Inside, the message reads: ``Our family wishes you and yours a joyful holiday season and a new year blessed with health, happiness and peace.''

The 1994 card was unveiled yesterday by its crafters, American Greetings Corp. of Cleveland. The painting was done by artist Thomas McKnight of Palm Beach, Fla., a favorite of Hillary Clinton's.

McKnight said by phone yesterday that the inspiration for the work came in part from the late French artist Henri Matisse, particularly from a painting titled The Red Studio.

It could have just as easily been the child's book Good Night Moon. The card is vibrant and whimsical. Hillary Clinton called it ``magical.''

It is a rendering of the White House's Red Room, but McKnight took a few liberties. Gone are the 19th-century portraits that hang in the real Red Room. McKnight replaced them with images of his wife and dog and his fanciful vision of the White House.

It is a marked departure from White House cards of the past, which most often featured traditional seasonal scenes or the presidential seal. Last year's card was a conservative photographic portrait of the Clintons in the state dining room. American Greetings produced that one, too.

For much of the last four decades, Hallmark Cards, the nation's largest greeting card company, made the official White House Christmas card. But Clinton dropped Hallmark when he took office. Donald Hall, owner and chairman of Hallmark, was a friend and financial supporter of former President George Bush.

American Greetings has a bit of a Democratic tradition: It produced cards for the Lyndon Johnson and Jimmy Carter administrations. It was creating a card for the John F. Kennedy family when the president was shot in 1963.

This year, the Clintons chose McKnight to do the painting and American Greetings was charged with the card's design and reproduction. Its editorial staff wrote the inside greeting. The Clintons, who had the final say, changed one word. The American Greetings staff had written ``...a new year filled with health....'' The Clintons changed ``filled'' to ``blessed,'' to underscore the religious nature of the season, said Chris Riddle, program director of American Greetings' creative division.

About 250,000 cards were printed, along with 15,000 poster-size commemorative copies. The Democratic National Committee paid for the cards.

Even if you didn't make the mailing list, you can view it on the Internet at the address http:// www.whitehouse.gov/.

Northeast Ohio made another mark on the White House Christmas scene this year. GE Lighting of Cleveland donated the star on top of the National Christmas Tree. END!A2?AK-CARD

**** filed by:KR-F(--) on 12/01/94 at 21:52EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:21EST ****

AM-FL--Christmas Card,0430
Artist Takes Whimsical Approach to White House Christmas Card
EDs: Note Fla. interest in graf 4
With AP Photos
By M.R. KROPKO= AP Business Writer=

CLEVELAND (AP) There's a bit of whimsy by design in this year's White House Christmas card, the artist said Thursday. A close observer can see Socks, the Clinton family cat, and a new saxophone for the president.

But you won't see Bill or Hillary.

Thomas McKnight, commissioned by the Clintons to create the card with American Greetings Corp., departed from the formal approach for a cartoonish look at the White House's Red Room decked out for Christmas.

McKnight, 53, of Palm Beach, Fla., said he took photographs inside the White House a year ago and did his painting early this year. He offered it for the Clintons' approval and said no change was requested.

``I like my work to have sort of a narrative function,'' McKnight said. ``There's no person in the work. But you can sort of imagine yourself as a person there, walking through the work and looking at various things.''

Chris Riddle, American Greetings creative program director, described the card this way:

``Socks the cat is resting in front of a fireplace. Three Christmas socks hang from a mantle, and there's also a brand new saxophone for the president under the tree. There's also some tea for the first lady. She loves tea, and Thomas knew that. The artist has taken the liberty to change the landscape outside the Red Room to include the Washington Monument and Jefferson Memorial (under a full moon). It's very charming.''

Cleveland-based American Greetings has produced three cards for President Lyndon Johnson, three for Jimmy Carter and now two for Bill Clinton, all Democrats. A year ago, the company produced a card using a photo of Bill and Hillary Clinton inside the White House.

The 1994 message is: ``Our family wishes you and yours a joyful holiday season and a new year blessed with health, happiness, and peace.''

McKnight said he included one of his paintings showing a Connecticut landscape and his dog on a wall of the Red Room.

Near the fireplace and cat is an open book on a chair. But there's no significance there.

``All my work takes some liberties with realities,'' he said.

Harvey Levin, American Greetings vice president, said 250,000 cards were produced at the company's plant in Bardstown, Ky.

``These cards go across the world, and as an international company we're interested in seeing our name get across the world, too,'' Levin said.

**** filed by:APE-(FL) on 12/01/94 at 20:16EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:21EST ****

AM-Health-Task Force,0617
Judge Cites Misconduct in White House Advisory Panel Fight
Eds: Also moving on general news wires.
By CASSANDRA BURRELL= Associated Press Writer=

WASHINGTON (AP) A federal judge said he found evidence of White House misconduct during the 1&1/2-year legal battle over advisory panels that met in secret to help formulate the president's health-care reform plan.

In a seven-page ruling released Thursday, U.S. District Judge Royce Lamberth said he intended to impose sanctions, but did not specify what they would be. Nor did he specify the type of misconduct he found.

Three groups accused government lawyers of foot-dragging, lying and misleading the court after they filed a lawsuit last year challenging the legality of the meetings.

``They have stonewalled us at every turn. It makes us think that there's something that they don't want us to know,'' said Kathryn Serkes, spokeswoman for the Association of American Physicians and Surgeons, one of the groups. ``They are getting more than a hand slap here, and they richly deserve it.''

In the suit, the association, the American Council for Health Care Reform and the National Legal Policy Center objected to the secrecy of the meetings of more than 500 people who served on working groups for the health-care reform task force headed by Hillary Rodham Clinton.

They also complained that the committees were stacked with people who had a vested interest in the shape of the resulting health-care plan.

The lawsuit sought the release of hundreds of thousands of transcripts, drafts, minutes and other documents generated by the working groups, which disbanded May 31, 1993.

The Clinton administration resisted calls to release the records for more than a year, but relented in August, making nearly 500,000 documents public. Government lawyers later asked the judge to declare the case moot.

In the ruling, however, the judge said not all documents have been released and he can't rule on mootness until they are.

Lamberth ordered both sides back to court Friday to give the government one more chance to hand over the documents.

``The defendant's basic argument is that the interdepartmental working group was formally terminated on May 31, 1993, and that it did not meet again thereafter, except for two brief ceremonial-type appearances on June 7 and Sept. 18,'' Lamberth's ruling said.

``It appears, however, that even after May 31, some documents continued to be created by members of the interdepartmental working group,'' he said. ``Moreover, it is now clear that there are pre-May 31 documents which should have been produced which have not been produced.''

Government lawyers also have conceded that they still have not released electronic versions of documents.

``Defendant's creation of an adequate index and provision of an explanation as to the reasons why each document continues to be withheld from the public will allow the court to make an informed decision about which documents must be released to satisfy the court that this case is now moot,'' the ruling said.

If Lamberth rejects the government's request to declare the case moot, it will proceed to trial Dec. 14.

The three groups also have accused White House aide Ira Magaziner of lying in a March 1993 affidavit when he said all members of the working group were either government employees or consultants. They have asked Lamberth to declare him in contempt of court.

Government lawyers said Magaziner's statement was true at the time.

A federal appeals court ruled last year that the working groups may be subject to the 1972 Federal Advisory Committee Act, which requires open meetings and records if any members are non-government employees.

**** filed by:APE-() on 12/01/94 at 18:58EST ****

Christmas kicks off at White House

WASHINGTON, Dec. 1 (UPI) The Yuletide season officially got underway at the White House Thursday as first lady Hillary Rodham Clinton accepted the traditional Christmas tree and unveiled the annual greeting card.

The first lady, who will oversee a packed schedule of Christmas receptions, was presented the 18 &1/2-foot Colorado Blue Spruce from a Missouri tree farm.

As children sang ``Jingle Bells'' and a song about Hanukkah, she told reporters the ``special theme for Christmas'' was a secret until Monday. But she said the first family would soon be doing some decorating and trying ``to remember what the real reason behind the season is.''

``We have always loved Christmas in our family, and so we try to keep all of our own personal family traditions, plus all that comes traditionally here at the White House,'' Mrs. Clinton said. ``Personally, we will be decorating our own tree upstairs on the second floor, in the private quarters of the White House, and we'll be enjoying this magnificent tree on the first floor, in the Blue Room of the White House.''

As for the cooking chores, well, sometimes it pays to be the first family.

``We will be doing some of our own Christmas baking, mostly cookies, and the White House kitchen will be doing all the rest,'' she said.

Other parts of the family tradition will include ``re-reading the Christmas Story, and my husband always likes to read 'The Night Before Christmas,''' as well as attend church.

The tree, delivered by horse-drawn carriage to the White House North Portico, was given the first family by Louis Schmitt and his family, who grew it at the Schmittt Tree Farm, ``Santa's Forest,'' near Holt, Mo.

With its arrival, the White House is closed for several days while Mrs. Clinton said ``dozens of people, who are like Christmas elves, help the staff decorate the tree, decorate the house,'' and the many other trees spread throughout the executive mansion. Last year, each tree was adorned with angels as a special theme.

The entertaining season officially opens with the annual congressional ball on Dec. 5, which President Clinton will attend after spending the day in Budapest, Hungary, for a European summit meeting.

The National Christmas Tree on the Ellipse will be lit by the Clintons during the annual Pageant of Peace ceremony on Dec. 7. Clinton will also return from the Miami Summit of the Americas to tape a Christmas special for NBC.

Then the Clintons will host a series of Christmas receptions for friends, staff, members of the press and others beginning Tuesday Dec. 13 and continuing virtually every day until Christmas.

The official 1994 White House Christmas card was also unveiled Thursday, featuring a traditional rendering of the White House Red Room by American artist Thomas McKnight.

The card, which features a saxophone under the tree and Socks, the Clinton's cat, on the hearth, will be sent to about 200,000 families, paid for by the Democratic National Committee.

Inside is the official presidential seal, the signatures of the president and first lady and the verse: ``Our family wishes you and yours a joyful holiday season and a new year blessed with health, happiness and peace.''

**** filed by:UPI-(us) on 12/01/94 at 17:05EST ****
**** printed by:WHPR(103) on 12/02/94 at 08:22EST ****

(ED: complete writethru adds details, mother raised money for transportation, doctors donated services)

Russian girl has operation in Pittsburgh

PITTSBURGH, Dec. 1 (UPI) A 12-year-old Russian girl who was born with spina bifida was in fair condition Thursday in a Pittsburgh Hospital after undergoing an operation that loosened her scarred spinal cord to relieve increasing leg weakness and pain.

The operation performed Wednesday at Allegheny General Hospital was arranged after the girl's mother contacted the White House.

Spina bifida is a congenital defect in which part of the spine is not closed and some nerves are exposed. It often results in paralysis.

The operation on Sveta Mishina was performed by Dr. Donald Reigel, a pediatric neurosurgeon who heads Allegheny General's Spina Bifida Center. He has performed more than 500 similar operations. The procedure is not common in Moscow.

Mishina's mother, also named Sveta, during the past two years wrote people ranging from the Queen of England to first lady Hillary Rodham Clinton to appeal for medical help. She told Clinton her daughter's doctor, Konstantin Chernukha, had gone to Allegheny General to study the spinal birth defect with Reigel. She said she knew the surgery would help her daughter become stronger.

Mishina never heard directly from Clinton, but Reigel in February received a calls from officials of both the Russian embassy in Washington and the U.S. embassy in Moscow.

``I suggested that we should develop a cooperative effort to help even more kids,'' said Reigel. ``But we decided that because Sveta's mother was desperate, that the girl's condition was worsening, we needed to perform the operation as soon as possible.''

Mishina received a letter in March from the White House signed by Melanne Verveer, deputy assistant to the president and deputy chief of staff to the first lady, expressing Clinton's concern and promise to try to help.

The girl's mother raised money for the airfare to the United States and doctors donated their services for the operation.

It took another eight months, but following the operation Sveta was moving her legs and free of pain.

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**** printed by:WHPR(103) on 12/02/94 at 08:23EST ****

PM-Mrs Clinton,560
First Lady Backing in Fighting Form
By NANCY BENAC= Associated Press Writer=

WASHINGTON (AP) Forget about that low profile Hillary Rodham Clinton adopted after the demise of health-care reform and the Democrats' devastating election losses.

The first lady is back in fighting form, joking about her hair, laughing off talk of a co-presidency and exhorting allies to ``not in any way give ground.''

In three appearances packed into a 24-hour period, Mrs. Clinton defended her principles, warned against a retreat from past accomplishments and labeled Newt Gingrich's talk of sending more children to orphanages ``absurd.''

Accepting an award from the National Women's Law Center for her work on health care, Mrs. Clinton delivered a fiery pep talk Wednesday night that seemed aimed as much at herself as at anyone else in the cavernous ballroom.

``Let's draw strength from what has already been achieved, let's recognize the challenges to the maintenance of those achievements ... and let's not in any way give ground on what we believe,'' she urged.

``In many ways, our best days are ahead of us because there's nothing like a good fight for advocates to get energized.''

Speaking with emotion of the frustrations that women face in juggling jobs and children and illness and other challenges, she told the crowd, ``they were, in a way, talking about my life. ... I knew what they were talking about.''

The first lady made no direct reference to her future role on health reform certain to be diminished or any other issue. But she delivered a broad entreaty that ``we not, in the face of these new challenges, give up on the vision that brings us here.''

``I don't think the American people have voted in any way to turn the clock back,'' she insisted. ``What they are asking is that we articulate clearly the vision that we share and that we work in ways that make sense to them to move that forward.''

Taking stock of the changed political landscape in which Republicans will take control Congress, Mrs. Clinton told her friendly audience that ``we face a time in which many of the hard-fought victories ... will be under attack.''

Earlier Wednesday, in a speech in New York, Mrs. Clinton was more pointed in a post-election assessment.

She labeled the notion that welfare reform should channel more children into orphanages an idea embraced by incoming Republican House Speaker Newt Gingrich of Georgia both ``unbelievable and absurd.''

But for all her defiant talk, the first lady is nothing if not a political realist.

And so, even as she pledged to continue fighting for health-care reform and blamed its demise on misimpressions about its scope, she acknowledged to a student audience Tuesday night that the administration would pursue a ``more incremental approach'' next time.

Mrs. Clinton also made it clear she had not lost her sense of humor despite the Democrats' setbacks, dishing out self-deprecating remarks with ease.

After watching a laudatory slide show about her work on health care, the first lady's comment Wednesday to her law-center audience was, ``How many of you counted the different hairstyles in the slides? I got to 19 and quit. If anybody has more, will you please let me know?''

And all that talk about a co-presidency? Mrs. Clinton said it always left her ``confused'' she thought it referred to the leaders of the law center.

**** filed by:APE-(--) on 12/01/94 at 02:12EST ****
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PM-NY--Hillary-Awards,Bjt,435
First Lady: TV Violence Distorts Children's Views
With AP Photos NYR105, NYR106, NYR110
By JUDIE GLAVE= Associated Press Writer=

NEW YORK (AP) Hillary Rodham Clinton had some advice for other mothers: Turn off the tube.

Addressing a breakfast to honor high-achieving women, Ms. Clinton said Wednesday that the constant diet of violent messages on television ``gives children the idea that their futures are beset by violence and limitations.''

``Unless we have the collective will to change the messages as well as the medium that delivers it, we cannot ever expect our children to have the kind of understanding of the world that can come from a more balanced presentation,'' she said.

Speaking to a crowd of thousands of corporate and professional women gathered at a midtown hotel, the first lady also spoke about domestic violence, women's health issues and welfare reform.

She urged the New York Women's Agenda, a coalition of 54 women's organizations that held the breakfast, to continue to strive to change the way women are presented in the media.

Seven women, including mezzo soprano Yun Deng and Maya Lin, who designed the Vietnam Veterans Memorial in Washington, were honored at the group's third ``star breakfast.''

Gloria Steinem served as mistress of ceremonies. The dais of nearly 100 people included the city's and state's first ladies, Donna Hanover Giuliani and Matilda Cuomo; Rep. Susan Molinari; and Elinor Guggenheimer, founder and president of New York Women's Agenda.

Lin said she grew up never realizing a woman couldn't do whatever she wanted. Her family taught her that boys and girls were equal and that there were no boundaries.

In school and at home, she said, ``The room was always full. When I got to Washington, the room emptied out. It was quite a shock.''

Looking at the predominately female audience, she added, ``I'm glad to see the room so full today.''

The hotel ballroom was in fact so full that an overflow crowd was forced to watch the event on big-screen monitors in a smaller room down the hall.

Three men Hearst Magazine President John Mack Carter, public relations executive Howard Rubenstein and Coy Eklund, retired chairman of Equitable Life also received honorable ``MENtions'' for their longtime support of women's issues.

Later in the day, Mrs. Clinton met with Cardinal John O'Connor for about 40 minutes at his residence, adjacent to St. Patrick's Cathedral. O'Connor's spokesman Joe Zwilling described it as a private courtesy call and said he did not know what they discussed.

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Whitewater Returns

After a lull of several months following the close of televised Congressional hearings, the Whitewater tide is rising again. Associated Press writers Larry Margasak and John Solomon this week reported that the Senate Banking Committee is nearing completion of a 300-page account of the hearings. According to the AP, which obtained a draft version of the report, it will detail "the numerous times" Clinton Administration officials provided conflicting testimony and will note that the Resolution Trust Corp. failed to follow its own policy on handling criminal investigations.

And that's just from the Democrats' account. The report is expected to be released by the Banking Committee on January 3, the last day the Democrats control Congress; the committee's Republicans are working on their own report, as well as gearing up for new hearings. Meanwhile in Arkansas, two special prosecutors are at work, eliciting howls of outrage from the political elite that has long dominated the state's affairs.

Whitewater aficionados will remember that the parameters of the Congressional hearings were sharply drawn by the Democratic majority, almost entirely limiting discussion to White House contacts with the Treasury Department and the RTC regarding investigations into Madison Guaranty Savings & Loan, the failed Arkansas thrift at the heart of the affair. Much of the conflicting testimony revolves around former Deputy Treasury Secretary Roger Altman and former Treasury General Counsel Jean Hanson, both now disappeared beneath the political waves of the scandal.

Ms. Hanson "testified that she did not believe she was told to keep confidential the information she received about nine criminal referrals from the RTC investigation that named the Clintons as potential witnesses to possible wrongdoing," the AP reported. In contrast, RTC official William Roelle, who provided Ms. Hanson with the information, testified that he told Ms. Hanson to make sure the referrals were kept confidential.

"Among other things," the AP noted, "the referrals alleged that the first family's Whitewater real estate venture and Clinton's gubernatorial campaign may have benefited from the illegal diversion of depositor funds" from Madison. With that information in hand, Ms. Hanson scampered over to the White House, apparently stricken by that Beltway affliction that causes otherwise decent citizens to take leave of a lifetime of sensible instincts.

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We look forward to putting the Banking Committee reports—by the former majority and the new majority—on our reading list for the new year. The commingling of White House, RTC and Treasury around one little bank in Arkansas still commands interest. And we wish the drafters of the Democrats' draft luck holding their version together on the way to the printer.

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Dec. 1994

THE WALL STREET JOURNAL THURSDAY, DECEMBER 29, 1994

THURSDAY, DECEMBER 29, 1994 · USA TODAY

N. Korea: Hall admits error

By Richard Benedetto A1
USA TODAY

Bobby Hall, the downed U.S. helicopter pilot held in North Korea, admits "illegally intruding deep" into North Korea and has asked forgiveness, North Korea said today.

"I admit that this criminal action is inexcusable and unpardonable," he said in a statement released by North Korea's official news agency. "However, at home my parents, wife and kids are anxiously waiting for my return."

Hall did not admit to spying, as North Korea has charged. The State Department, saying it cannot confirm Hall's statement, "continues to reject all charges of espionage," says spokeswoman Christine Shelly.

"Given the lack of access (to Hall), we are not in a position to confirm the facts associated with these statements."

In the statement, the Army pilot said his helicopter "deviated from the route" and into North Korean airspace.

"I only hope, and it is my desire, that the Korean People's Army will leniently forgive me for my illegal intrusion so that I may return to my home and be with my family again."

The stalemate with North Korea over its refusal to release Hall entered its 13th day with no hint of a breakthrough.

A second day of talks between U.S. envoy Thomas Hubbard and North Korean officials was set for today.

A first meeting Wednesday, for $2\frac{1}{2}$ hours, ended with no apparent progress, and was described as "not satisfactory" by Rep. Lee Hamilton, outgoing chairman of the House Foreign Relations Committee.

"We have made it clear to the North Koreans that we want the prompt release of airman Hall and that there is no reason for his detention," said President Clinton.

Also Wednesday, Chief Warrant Officer David Hilemon, 29, Hall's fellow pilot killed when their helicopter went down Dec. 17, was buried in Gig Harbor, Wash.

▶ Pueblo crew remembers, 2A

'Black Rhino' bullet raises hoax questions

By Debbie Howlett A1
USA TODAY

The maker of the controversial new "Black Rhino" bullet says production is on hold, as some question whether such ammunition is a reality.

"We don't even know the Black Rhino exists," says Susan McCarron of the Bureau of Alcohol, Tobacco and Firearms.

Last month, an ATF agent went to Alabama after David Keen applied for a license to manufacture the bullet, and couldn't get a sample.

Some also doubt whether the bullet does what it claims.

Keen's claims that his new polymer bullet pierces bulletproof vests are just hype, says Jimmy Trahin, a ballistics expert in Whittier, Calif.

He says Keen's "Rhino" and more deadly "Black Rhino" bullets are no more destructive than ammo now on the market.

Amid a chorus of criticism, Keen went on NBC's *Today* show Wednesday and said he wouldn't sell Black Rhino.

But he'll go ahead with plans for the regular Rhino bullet, which he says causes a fatal, baseball-size wound. It's expected to be in stores as soon as the ATF grants Keen a license, possibly by next month.

Delta bans smoking on all flights as effort grows

By Julie Schmit A1
USA TODAY

The momentum is building to snuff out smoking on all airline flights.

Sunday, Delta becomes the first U.S. airline to ban smoking on all international flights.

Smoking was prohibited on all domestic flights in 1990. There's no law covering international flights, but airlines are taking steps on their own:

▶ Six U.S. and two European airlines recently asked the U.S. government for anti-trust immunity to discuss a smoking ban on transatlantic flights.

The airlines fear losing fliers who smoke to competitors if they don't all ban smoking at the same time.

▶ American, United, Northwest and Continental have nixed smoking on a small number of international flights.

▶ British Airways and Air France have banned smoking on many intra-Europe flights.

In 1990, Air Canada became the first smoke-free carrier, followed by Canadian Airlines.

Delta, the USA's No. 3 airline, says 75% of international fliers surveyed support the ban. It expects to lose some fliers who smoke, but draw more non-smokers.

Pressure is coming from flight attendants, too. Last month, a Florida judge allowed 38 attendants — who say they were harmed by second-hand smoke — to expand a $5 billion suit against tobacco companies to a class-action claim involving 60,000 airline employees.

The ruling was the first time people who claim harm from passive smoke were granted the right to sue as a class.

Airline regulators worldwide have agreed to push for a complete smoking ban by 1996.

Harassment suit delayed

By Bob Minzesheimer A1
USA TODAY

President Clinton will not have to go on trial in a sexual harassment lawsuit until he's out of office, a federal judge ruled Wednesday.

But pre-trial action, such as fact-finding and sworn statements from witnesses — presumably including Clinton — can go forward.

The delay is "an important victory," says Clinton lawyer Carl Rauh. But he expects to appeal the other ruling, calling it a "distraction."

Lawyers for Paula Jones, who says then-Arkansas governor Clinton propositioned her, hails the ruling.

"It underscores that no person is above the law," says Joseph Cammerata.

Clinton's lawyers argued that presidents should be immune from civil lawsuits during their terms.

But Judge Susan Webber Wright of Little Rock says granting absolute immunity "would be contrary to our form of government."

Going to trial now, she says, would "interfere with ... the duties of the office."

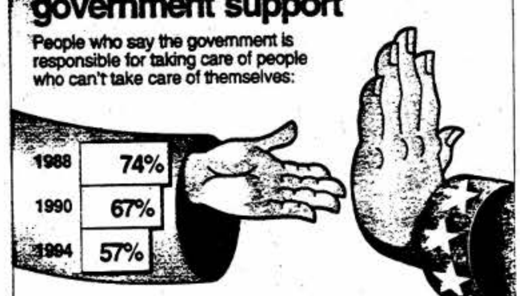
By H. Darr Beiser, USA TODAY
JONES: Accuses Clinton of propositioning her in 1991.

▶ 'Fair compromise,' 4A

USA SNAPSHOTS®

A1

A look at statistics that shape the nation



Source: Times Mirror Center for People and the Press

By John Riley and Elys A. McLean, USA TODAY

Whitewater Returns

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THE WALL STREET JOURNAL THURSDAY, DECEMBER 29, 1994

Draft of Senate Whitewater Report Details Conflicts in Testimony

By Larry Margasak
and John Solomon
Associated Press

A draft of the soon-to-be-released Senate report on the first Whitewater hearings details numerous conflicts in Clinton administration officials' testimony last summer. It also points out that the Resolution Trust Corp., the government's savings and loan cleanup agency, did not follow its own written policy in handling a criminal investigation that spawned the Whitewater affair.

The Senate Banking Committee set out to determine whether President Clinton's aides did anything improper when they gathered information about the ongoing S&L investigation that involved some of President Clinton and Hillary Rodham Clinton's Arkansas business dealings. But the panel's 300-page draft of the report, dated Dec. 5 and reviewed by the Associated Press, did not draw any conclusions about the legality or propriety of the administration's conduct.

In their final days in the majority, the Democrats who wrote the draft are working on a section that will make some recommendations about procedures for handling administration discussions about sensitive investigations in the future.

Republican members of the committee, who have denounced the actions of administration officials and questioned the truth of their testimony, are preparing their own views—certain to draw on their many public criticisms.

The report is scheduled for release Jan. 3, the last day before Congress changes to Republican hands.

If the draft stands, its lack of conclusions would not be unexpected given that Democrats, stung by their election losses, are reluctant to inflict further damage on their wounded president. Republicans, on the other hand, are gearing up for the exhaustive, politically grueling investigation of Whitewater that they believe Democrats denied them last year.

Scattered throughout the draft are anecdotes that escaped much notice during the panel's hearing, such as comments Clinton apparently made to an aide that reflected his dissatisfaction with the way his own White House had handled Whitewater.

The draft states that Clinton "had expressed concern generally about how the matter was being handled and wanted improvements." It adds that Clinton asked the aide, White House deputy counsel Joel Klein, "to participate in thinking on a going-forward basis about how to improve the White House's handling of this matter."

But most of the draft is dedicated to recounting the many instances in which administration officials, in their testimony before the panel, could not recall key events or gave conflicting accounts. During the hearings, such answers occasionally caused senators, including outgoing committee Chairman Donald W. Riegle Jr. (D-Mich.), to lash out in irritation. The draft treats the conflicts matter-of-factly.

The testimony of Deputy Treasury Secretary Roger C. Altman and Treasury general counsel Jean Hanson is most frequently cited. Both officials resigned in the aftermath of the hearings.

The draft noted that Hanson testified she did not believe she was told to keep confidential the information she got about nine criminal referrals from the RTC investigation that named the Clintons as potential witnesses to possible wrongdoing.

Among other things, the referrals alleged that the Clintons' Whitewater real estate venture and Clinton's gubernatorial campaign may have benefited from illegal diversion of depositor funds from the failed Madison Guaranty Savings and Loan, which was owned by their Whitewater business partner.

After getting the information from RTC official William Roelle, Hanson conveyed it to the White House, setting off a series of contacts that became the focus of the hearings.

"There is a conflict in the testimony about whether Mr. Roelle told Ms. Hanson about the need to safeguard the confidentiality of the referrals. Mr. Roelle testified that he explained to Ms. Hanson that 'we need to make sure these are kept confidential,'" the draft states. "In contrast, Ms. Hanson testified that she did not recall Mr. Roelle telling her to refrain from discussing the referrals."

The report cited several instances in which Altman's testimony was questioned. It noted that neither Altman nor departed White House counsel Bernard Nussbaum could recall anything about a Whitewater-related fax found in Nussbaum's files indicating it came from Altman. "Nevertheless, Mr. Altman and Mr. Nussbaum both testified that the facsimiles were apparently sent and received by their respective offices," the draft said.

The draft also notes that the RTC's routing of the criminal referrals did not follow the agency's written procedure. It notes that before the referrals were forwarded to prosecutors, they were first sent to the RTC's Washington headquarters. There, according to testimony, RTC lawyers took the unprecedented action of writing a critique of the referrals that highlighted potential problems before the documents were forwarded to federal prosecutors. Republicans cited the incident in arguing that the administration may have tried to derail the investigation.

Without drawing conclusions, the draft report contrasts the action in this case with the RTC's written policy. "The RTC's written policy was, and is, to forward referrals from the RTC regional office to the appropriate U.S. attorney office and to the RTC's Washington, D.C., office where the referrals concern a major case," the draft says.

Pena, Shuster Share Ideas on DOT

Air Traffic Control Privatization, Greater State Authority More Likely

By Don Phillips
Washington Post Staff Writer

A Transportation Department with simplified grants, more power vested in states and the air traffic control system moved to a separate corporation may have a better chance of winning approval from a Republican Congress than it would have had under the Democrats.

That's partly because Federico Peña, the Democratic secretary of transportation, and Republican Rep. Bud Shuster of Pennsylvania, the new chairman of the House Transportation and Infrastructure Committee, seem to be talking more in sync than did Peña and his fellow Democrats when they ran Capitol Hill.

"Whatever his [Peña's] chances were and are, they're better today," Shuster said in an interview. "Because we're conservative. We're more fiscally conservative. We're more private enterprise-oriented. We want to reduce spending. . . ."

The Peña-Shuster relationship will be critical because congressional observers expect the House to champion more changes in federal programs than the Senate. Shuster said of Peña that "He and I get along very well. I like the guy, and I hope he likes me, and I respect him."

In a recent meeting with Washington Post editors and reporters, Peña said it is clear that a "corporatized" air traffic control system has a better chance of winning approval from a GOP Congress. Last year, he proposed to remove 40,000 air traffic employees from the Federal Aviation Administration's payroll and place them in a semi-private federal corporation. But the plan was blocked by two then-powerful Democrats, Sen. Wendell H. Ford (D-Ky.) and Rep. James L. Oberstar (D-Minn.), chairmen of aviation subcommittees, despite strong support for it from the airline industry and the National Association of Air Traffic Controllers.

"You'd think the Democratic leadership would say, 'Well gosh, if air traffic controllers and the unions support this,' theoretically the traditional Democrats would have said 'Yeah, let's do it because labor wants it,' " Peña said.

"I have an open mind on FAA," Shuster said. "Philosophically, I lean toward privatization, in a general way. But I haven't crossed that bridge with FAA. Something's got to be done to streamline the FAA."

Shuster said he also has an open mind about the administration's plan to downsize the bureaucracy, in part by

REP. BUD SHUSTER
. . . "we want to reduce spending"

combining 10 Transportation Department agencies into three and giving more power over transportation expenditures to the states.

"At first blush, it seems to make some sense to me," Shuster said. His worry, he said, is that "We are knee-jerk privatizers, and we've got to be careful about that."

Not all will be sweetness and light. Peña's plan to give states and cities more flexibility to spend more highway trust fund grants on all forms of surface transportation, including passenger trains, will have to find a champion in the Senate or elsewhere in the House.

"If they want to open up the highway trust fund to rail and more transit, there will be blood on the floor and it will be over my dead body," Shuster said. "Now, if you want to" let money earmarked for transit be used "for commuter rail, I'm willing to listen to that. . . . But I am unwilling to divert more money from the highway trust fund for nonhighway purposes."

Shuster said he does not want to remove the flexibility that states and cities now have to use some federal highway funds for transit.

Shuster said that "one of my top priorities" will be to remove the transportation trust funds from the unified federal budget, where money collected in transportation taxes and earmarked for transportation projects is held; that has the effect of reducing the reported amount of the federal deficit. Next, he said, he wants to recapture for the highway trust fund the 4.3 cents per gallon of gasoline taxes that now go to the Treasury for deficit reduction.

Peña and Shuster talk alike on saving Amtrak, which has run into a money crunch and is rapidly cutting jobs and routes. Both say the federal government should retain a passenger train network, although Amtrak must become more businesslike. "This company has got to think like a business," Peña said.

"I am opposed to zeroing out Amtrak," Shuster said. "I think there's a place for it. But we're either going to streamline it or it's going to get zeroed out."

Shuster said he will work to preserve a national passenger train network—as opposed to a series of high-density corridors—perhaps with more financial help from states and perhaps with some services privatized.

Some of Shuster's plans will spark battles with both Peña and the Senate. He said "priority [highway] projects" will continue to be a feature of House-produced transportation bills. Such projects are typically chosen by members of Congress for construction within their districts and are 100 percent federally funded.

Shuster said he will take steps to require states to justify such projects.

"One of my favorite lines is, 'The angels in heaven don't decide where to build highways.' It's a political process. And I don't think it's unreasonable for members of Congress to have something to say in it."

Shuster also wants to change environmental regulations affecting highway building, including the definition of "wetlands," another proposal that could run afoul of the administration but that has strong support among House Republicans.

"Nobody wants to destroy the Everglades or the Chesapeake Bay," Shuster said. "But when you go out and find a mud puddle and call it a wetland and say you can't build a highway or you can't build a shopping center or you can't build homes, you skyrocket the cost of development . . . I want to set two categories of wetland—primary wetland and secondary wetland—and make the secondary wetland subject to less onerous regulations."

In another area, Shuster conceded he had lost a battle with his GOP colleagues. He is no longer a champion of the Interstate Commerce Commission, which regulates railroads and trucking. "I voted against eliminating the ICC last year," he said. "I may not be too smart, but I'm not newly off the pickle boat. I read the handwriting on the wall, so I have run out in front of the van, and I am for eliminating the ICC. But let's do it in a careful, rational way."

THE WASHINGTON POST TUESDAY, DECEMBER 27, 1994

Whitewater report draws no conclusions

GOP gears up for own probe

By Larry Margasak
and John Solomon
ASSOCIATED PRESS

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In their final days in the majority, the Democrats who wrote the draft are working on a section that will make some recommendations about procedures for handling administration discussions about future sensitive investigations.

Republican members of the committee, who have denounced the actions of administration officials and the truth of their testimony, are preparing their own views — certain to draw on their many public criticisms.

The report is expected to be released Jan. 3, the day before Congress changes to control of the Republicans, who are gearing up for the exhaustive, politically grueling investigation of Whitewater that they believe Democrats denied them last year.

The draft includes anecdotes that escaped much notice during the panel's hearings, such as comments the president apparently made to an aide that reflected his dissatisfaction with the way his own White House had handled Whitewater.

Most of the draft is dedicated to recounting the many instances in which administration officials, in their testimony before the panel, could not recall key events or gave conflicting accounts.

During the hearings, such answers occasionally caused senators, including outgoing Banking Chairman Donald W. Riegle Jr., Michigan Democrat, to lash out in irritation.


Jean Hanson

The testimony of Deputy Treasury Secretary Roger C. Altman and Treasury General Counsel Jean Hanson are most often cited. Both soon resigned.

The draft noted that Mrs. Hanson testified she did not believe she was told to keep confidential information she got about nine criminal referrals from the RTC investigation that named the Clintons as potential witnesses to possible wrongdoing.

The referrals alleged that the first family's Whitewater real estate venture and Mr. Clinton's gubernatorial campaign may have benefited from illegal diversion of depositor funds from the failed Madison Guaranty Savings and Loan Association, which was owned by their Whitewater business partners.

After getting the information from RTC official William Roelle, Mrs. Hanson conveyed it to the White House, setting off a series of contacts that became the focus of the hearings. The report notes that Mr. Roelle told Mrs. Hanson to "make sure these are confidential."

The report also cited several instances in which Mr. Altman's testimony was questioned. It noted that neither Mr. Altman nor former White House Counsel Bernard Nussbaum could recall anything about a Whitewater-related fax found in Mr. Nussbaum's files indicating it came from Mr. Altman.

Teachers unions still seek merger

By Laurie Kellman
THE WASHINGTON TIMES

The nation's two top teachers unions are set to reopen talks about working together, a week after they broke off negotiations to merge.

The National Education Association on Dec. 19 broke off 18 months of talks with the American Federation of Teachers after the two organizations agreed that "internal issues" separating them "were insurmountable."

In a Dec. 22 statement, the NEA announced that "after the holidays NEA and AFT leaders will meet again to discuss forging a new, closer and more productive working relationship as separate organizations.

"Both NEA and AFT remain committed to the concept of merger at the national level and hopeful that the discussions can resume sometime in the future."

The NEA, the nation's largest union, put off a vote on unification at its annual convention last July.

Instead, NEA President Keith Geiger sought and got approval from the 10,000-member Representative Assembly to continue talks with the AFT for another year.

At a news conference in July, Mr. Geiger cited "structural" differences between the two groups as the primary obstacle to unification.

From the beginning, a sticking point has been the AFT's affiliation with the AFL-CIO. In 1976, the NEA adopted a prohibition against any type of AFL-CIO affiliation.

Another problem, NEA spokeswoman Nancy Kochuk said then, was that the NEA votes by secret ballot, while the AFT has open balloting.

Also, the NEA's constitution requires minority representation in its governance, she said. It specifies that every 11 years the NEA president must be from an ethnic minority and that 20 percent of the 150-member board and 20 percent of the nine-member executive committee must be ethnic minorities.

Additionally, NEA affiliates have to strive in their elective and appointive bodies to have ethnic minority representation proportional to the membership.

There are also policy differences rooted in philosophy. The NEA is liberal; the AFT is moderate to conservative on most issues.

AFT President Albert Shanker, now in his 20th year as union
and highly regarded as one of the great "thinkers" in education, has waged a war on "full inclusion" policies that put students with special needs in regular classrooms.

He has been quoted as saying the practice burdens teachers who must deal with disruptive students with medical, emotional or behavioral problems.

The AFT had asked for a moratorium on "inclusion"; the NEA has argued that it is a positive policy that needs to be executed properly.

Mr. Shanker also has plugged for high national educational standards that set forth what students should know in core subject a
and has backed a national assessment to measure progress toward those goals.

The NEA opposes "standardized testing mandated by a state or national authority."

Both groups are opposed to government vouchers that would allow children to attend private and religious schools.

The Washington Times

FROM PAGE ONE

Hijacking rooted in Algerian strife

By Andrew Borowiec
THE WASHINGTON TIMES

GENEVA — Algeria's religious and ideological war behind closed doors spilled into French teritory yesterday with ominous domestic and foreign-policy implications.

NEWS ANALYSIS

The hijacking by Islamic terrorists of an Air France Airbus A-300 is perhaps a mere episode in the struggle pitting the beleaguered Algerian government of Gen. Liamine Zeroual against the tidal wave of militant Islam. But it dramatically illustrates the regime's weakness and the ability of the "warriors of Allah" to wreak havoc.

Ironically, at the Islamic summit in Casablanca, Morocco, earlier this month, Gen. Zeroual assured Egyptian President Hosni Mubarak that "things are looking up." When hooded gunmen boarded the Airbus at Algiers' Houari Boumedienne Airport on Christmas Eve, he was proved bitterly wrong.

Initially insisting on dealing alone with the armed hijackers, the Algerian government later chose to let the plane leave for France while criticizing the French pilot for failing to "exploit the possibility" of freeing the hostages. There was no further explanation.

Instantly, Algeria's relations with France, one of the few Western countries supporting its no-compromise attitude toward the fundamentalists, nosedived.

For France, Algeria's travail is not merely a localized incident. It affects the attitude of some 3 million North African Muslims living in France and could engulf neighboring Tunisia and Morocco — like Algeria, former French possessions.

The United States, more distant from the problem, remains ambiguous, with many policymakers saying that perhaps the fundamentalists "should be given a chance."

Opponents of that view point to Iran under the heel of the ayatollah, a country listed by the State Department as aiding and abetting international terrorism.

The bloody struggle for power in Algeria began in 1993, shortly after the government invalidated general elections favoring the Islamic Salvation Front (FIS). Subsequently, the FIS and its various allies declared war on the regime, its Western backers and foreigners working in Algeria.

This year alone, more that 70 foreigners have been killed, including 23 French citizens. Most attacks — just as the recent hijacking — were claimed by the Armed Islamic Groups, whose relation with the FIS is ambiguous.

FIS officials in several Western countries condemned the hijacking but at the same time criticized the Algerian government for its repression.

Following the latest hijacking, the French government once again appealed to all "non-essential" French citizens to leave Algeria.

The banner headline publicity given to the incident has caused predictable concern among Algerians settled in or temporarily working in France. Mohammed Isa, representative of some 75,000 Algerians living in and around Marseille where the hijacked plane landed, promptly criticized the act as jeopardizing the future of Algerians on French soil.

Some French analysts [illegible] the hijacking may eventually play against its perpetrators. They cite the ebb of air piracy by Palestinian terrorists in the 1970s in the face of rising international criticism.

As a terrorist weapon, plane hijackings have been in constant decline since the 1980s. Between 1948 and 1967 there were some 70 hijackings, the vast majority unsuccessful. There were 38 attempted hijackings in 1968 and 82 in 1969.

Perhaps the most successful act of air piracy was the hijacking in 1970 by Palestinian extremists of three airliners — U.S., British and Swiss — to a desert airstrip in Jordan where the planes were blown up.

Some subsequent hijackings turned into bloody massacres, particularly when inexperienced troops intervened.

Such was the case of the 1985 hijacking of an Egyptian plane to Malta when 71 out of 97 passegers were killed by Egyptian troops during an abortive rescue operation.

White House fence climber sent for mental evaluation

By Kristan Metzler
THE WASHINGTON TIMES

A D.C. man found clinging to the north fence of the White House on Christmas Day will undergo a mental evaluation and appear in U.S. District Court today.

Lolade Tokumboh Bello, 19, was ordered held without bond yesterday by D.C. Superior Court Judge Cheryl Long. He did not appear in court because he would be a "disruptive factor at this point," Mr. Bello's court-appointed attorney, Daniel McGuan, told the judge.

Mr. Bello stayed in a cell behind the courtroom with his arms and legs shackled yesterday while his attorney and Assistant U.S. Attorney Barry Wiegand spoke to the judge during a 3 p.m. hearing that would have been Mr. Bello's first appearance in court.

"The U.S. marshals have reported him to be a major behavior problem," Judge Long said before concurring with the defense request to allow Mr. Bello to waive his right to appear in court.

Mr. Bello was held on a federal charge of making threats to a federal officer and will appear in U.S. District Court today.

First, he will be evaluated to determine whether he understands the charge against him and can assist in his defense. Mr. McGuan said he was unable to interview his client yesterday.

"It was not an unwillingless. He was unable to answer any of my questions," Mr. McGuan told the judge.

Mr. Bello was arrested outside the White House about 11:10 a.m. Christmas Day while the Clintons were inside celebrating the holiday. Mr. Bello told a law enforcement officer he wanted to see President Clinton, according to court records.

Court records did not indicate whether he was trying to climb over the fence.

"Mr. Bello walked when ordered to do so, but turned around, put his hand under his clothing, said he had a gun and threatened the officer's life," according to court records.

ABC News reported police had visited Mr. Bello's home before the White House incident but would not disclose the nature of those visits.

"Somebody grabbed him hanging from the fence," a spokesman for the Secret Service told the Associated Press. "He was not armed and we don't know what he was up to."

Mr. Bello initially was charged with unlawful entry and making felonious threats to the officer who arrested him.

According to court records, Mr. Bello also was unabled to be fully interviewed by the D.C. Pretrial Services Agency.

"The defendant appeared incoherent during the interview," according to the pretrial services report.

But, the same report shows his prior address as the 1400 block of Fairmont Street NW. Mr. Bello worked as a cook at a McDonald's for the past two weeks and worked at a shoe store for one month as a stock clerk.

Mr. Bello was arrested on July 9 for an unspecified offense and was released on personal recognizance two days later. Records were not available on the case yesterday because the D.C. Superior Courthouse was closed with the exception of arraignment court.

Secret Service officials say the department handles about half a dozen cases of "fence-hoppers" and others trying to get onto the White House grounds each year.

But, the latest case caught attention of the media because of the recent rash of incidents outside the White House in the last three months.

Last Tuesday, a U.S. Park Police officer shot and killed Marcelino Corniel, 33, a homeless man, when he brandished a large hunting knife in front of the White House and refused to surrender it to authorities.

Earlier this month at least four bullets fired from what the Secret Service said was "a great distance" reached the White House. One of them went through a window in the State Dining Room.

On Oct. 29, Francisco Martin Duran, 26, of Colorado was arrested and charged with firing more than two dozen bullets from a semiautomatic assault rifle at the White House.

Six weeks before that Frank Eugene Corder, 38, of Perry Point, Md., died when he crashed a small plane on the South Lawn of the White House.

■ *This article is based in part on wire service reports.*

TUESDAY, DECEMBER 27, 1994 The Washington Times

Jan. '95

PM-AR--Whitewater-Foster, Ark Bjt,630
Blair, Not Foster, Oversaw Sale of Clintons' Whitewater Interest
AP Photos LR101-LR102 of Jan. 18
tp2stf
By BILL SIMMONS= Associated Press Writer=

LITTLE ROCK (AP) Hillary Rodham Clinton's former investment adviser, not White House lawyer Vincent Foster, oversaw the first family's sale of the troubled Whitewater venture, a former partner says.

James McDougal's assertion challenges congressional Republicans, who have tried to portray Foster's role in Whitewater as significant before his 1993 suicide.

In particular, those Republicans have questioned former Whitewater prosecutor Robert Fiske's conclusion that Whitewater did not appear to have been a factor in Foster's decision to kill himself.

Fiske's successor, Kenneth Starr, recently reopened the investigation into Foster's suicide.

Whitewater papers were found in Foster's office after his death. But McDougal said in a recent interview that James Blair, a lawyer for Tyson Foods, was the architect of the deal and that Foster's role was minimal.

``Foster was just a messenger,'' McDougal said.

Blair has gained previous attention because he was the investment adviser who guided Mrs. Clinton through commodities trading in the late 1970s that parlayed a $1,000 investment into a $100,000 profit.

McDougal and his former wife, Susan, were co-owners along with the Clintons in Whitewater, a money-losing real estate venture in northern Arkansas' Ozark Mountains that started in 1978.

Just before President Clinton entered the White House, the first family sold its interest to McDougal for $1,000. Afterwards, Foster filed the delinquent Whitewater tax returns.

In his deposition to Whitewater prosecutors, the president was quoted as saying he didn't remember whether he was aware that Foster, who served as deputy White House counsel, worked on Whitewater matters.

McDougal said he remembered Blair's role because the Tyson lawyer and Clinton friend included language in the original agreement that required McDougal to take care of the delinquent tax returns.

``That was offensive to me,'' McDougal said. ``I hadn't had the records those years. I remember asking Foster if he would allow any client of his to sign such a statement, and he answered, `Jim, I'm just a messenger' in kind o a sad way.''

When a question arose about a statement in the papers, ``we had to call Blair on the telephone for the answer,'' McDougal said.

Blair declined to comment.

Two lawyers familiar with the deal, who spoke only on condition of anonymity, supported McDougal's story.

They said that Blair handled the negotiations but that Foster attended the closing settlement in Little Rock, when bad weather kept Blair in northwester Arkansas.

Afterward, they said, Foster agreed to handle the delinquent tax returns at the request of McDougal's lawyer, Sam Heuer. Foster had the Clintons' accountant do most of that work, one of the lawyers said.

The deal, executed in December 1992, ended the partnership between McDougal and the Clintons. The real estate venture is now the focus of both a special prosecutor's investigation and congressional hearings.

The controversy surrounds the relationship between the Clintons and their Whitewater deal and a failed savings and loan owned by McDougal.

Federal regulators have alleged the S&L, Madison Guaranty, improperly diverted depositor funds to Whitewater and to Clinton's gubernatorial campaig in the 1980s.

The Clintons have said they were unaware of any such diversions. McDougal has repeatedly denied any wrongdoing but recently was informed by Starr that he is a target of the investigation.

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REVIEW & OUTLOOK (Editorial) -- On Ethics: One Big Arkansas?

With the Republican tide swooshing through Capitol Hill, it's not surprising that last week's Whitewater reports from the Senate Banking Committee made no big splash. Still, the reports make clear the scandal isn't going away. With two independent counsels already in the field, indeed, it's likely to prove more illuminating than the ethical flaps that have been in the news these past two weeks.

The main Banking Committee report, written by the Democratic staff, provides an exhaustive account of conflicting testimony during the committee's six-day public inquiry into contacts between the White House, Treasury and Resolution Trust Corp. regarding RTC probes into Madison Guaranty Savings & Loan. While providing a 227-page factual base, the former majority's report studiously avoids drawing any significant conclusions, leaving that to the new majority's separate document. To wit, "The Committee and the American people witnessed a parade of high-level government officials experiencing various degrees of memory loss and delivering conflicting, contradictory and inconsistent testimony designed to obfuscate the truth about their actions."

The reports focus on the whirlwind of high-level meetings and phone calls between two bookend dates: late September 1993, when the RTC's Kansas City field office prepared to forward a new set of confidential criminal referrals containing allegations against current Arkansas Gov. Jim Guy Tucker and mentioning Bill and Hillary Clinton as possible witnesses to or beneficiaries of illegal actions. And February 28, 1994, when the statute of limitations on civil claims for fraud and misconduct concerning Madison was scheduled to expire; in the event, Congress extended the statute.

The reports make clear that in this period Roger Altman, Deputy Treasury Secretary and interim RTC head, was talking about the Madison case to the White House Counsel's office; Republicans point out that he "told the White House the single most important fact about the investigation, that it probably would not be concluded until after the statute of limitations had expired."

The Counsel's office in turn was talking to political operatives such as Bruce Lindsey and Harold Ickes. They in turn were talking to outside parties, in particular James Lyons, the Denver lawyer who crafted the Clinton campaign's Whitewater response.

The "gist" of Mr. Altman's key report was also reported to the President and Mrs. Clinton by Mr. Ickes. The President, in turn, held a private meeting with Gov. Tucker, one of the suspects. The President also directly approached one regulator, Comptroller of the Currency Eugene Ludwig, to discuss the case. In short, the hearings, though limited to the narrowest slice of the sprawling Whitewater controversy, clearly showed a massive breach of the confidentiality of the criminal process, and strongly suggested a White House in full cover-up mode.

The Republicans have written Independent Counsel Kenneth Starr asking that he start a formal review of possible criminal violations in testimony by Mr. Altman, Jean Hanson and Joshua Steiner of Treasury, and White House aides George Stephanopolous and Mr. Ickes. The Republicans point out that the President and First Lady gave Special Counsel Robert Fiske sworn depositions on what took place at these meetings, and promise "strenuous efforts to obtain these depositions or to obtain the information in some other manner."

They want to know, for example, "Did President Clinton inform Jim Guy Tucker that he was mentioned in the RTC's criminal referrals. . .?" They also say the committee "must question Webster Hubbell," the former Associate Attorney General who has confessed to overbilling at the Rose Law Firm; they want to know about his knowledge of the referrals and about the initial decision not to pursue them made by Paula Casey, the Clinton friend who is U.S. Attorney in Little Rock. They also want hearings on the disposition of the papers taken from Vincent Foster's office following his death.

Though Chairman Al D'Amato once promised early hearings, Republicans now say they will defer to Mr. Starr "until we believe such hearings will not impede" his investigation. The key to the postponement, it seems, is that the Republicans have acquired a confidence in Mr. Starr they did not have in Mr. Fiske.

And indeed, the Starr investigation is showing signs of vigor. He got a guilty plea from Mr. Hubbell. And another plea, portentous to those who understand loan-kiting, from the real estate appraiser for many Madison transactions. Our Ellen Joan Pollock reported from Little Rock on Dec. 30 that he will soon decide whether to indict Gov. Tucker, Madison owner James McDougal, his former wife Susan, her brothers and others involved in Madison.

While arguably Mr. Fiske's investigation laid the basis for much of this progress, in recent days Mr. Starr has taken grand jury testimony from the rescue workers and Park Policemen who discovered Mr. Foster's body in Fort Marcy Park. Both sides of the banking committee accept that Mr. Foster's death was a suicide. Yet it would appear that Mr. Starr has some reason, whether simple thoroughness or new information, to start from the ground up.

Meanwhile, loud cries are coming from Arkansas about independent counsel Donald Smaltz, appointed to study the actions of former Agriculture Secretary Mike Espy but broadening his investigations to include other activities of poultry giant Tyson Foods, a big node in the loose network that has long dominated the political landscape of Arkansas.

This is all to the good, but we continue to have doubts about a simply legalistic approach. We have little desire to criminalize the efforts of executive officials to put the best face on their actions before hostile Congressional questioning. While the Clinton Administration should be held responsible for its lapses, embarrassing the President and his aides is not the point. What we really want to know is whether Whitewater and its ilk represent something systemic.

Consider for a moment the Whitewater and Arkansas casualties so far. Mr. Foster is a suicide. Mr. Hubbell is a confessed felon. William Kennedy III, the third Rose Law Firm partner in the Administration, slipped out the White House door November 18. Secretary Espy has resigned over Tyson contacts. David Watkins left his post as White House director of administration over a helicopter ride. Mr. Altman, Mr. Nussbaum, Ms. Hanson and Mr. Steiner have resigned.

The White House payroll still includes, however, two aides who visited Mr. Foster's office the night of his death: Patsy Thomasson, former top associate of Little Rock drug convict Dan Lasater, and Maggie Williams, Mrs. Clinton's chief of staff, who also delivered the Foster papers to the White House family quarters. Meanwhile, the President is appealing a ruling that he has to give a deposition in the Paula Corbin Jones lawsuit. A federal judge has asked U.S. Attorney Eric Holder to study whether health czar Ira Magaziner committed p
(E=iBLF)

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JAMES HACKETT

Missile defense fate in new hands

Republican plans to revise the defense policies of the administration are sprouting like mushrooms. The House leadership, for example, has drawn up the National Security Act of 1995, which states that it shall be U.S. policy to "deploy at the earliest possible moment" a missile defense of the United States, and effective theater missile defenses for U.S. and friendly forces. These are important goals, but major obstacles remain to be overcome.

They include the bureaucratic desire to conduct research forever; the readiness of the Services to use development funds to pay operating expenses; and the inclination to discard programs that are close to production in favor of new concepts that will take years to develop. Even Ronald Reagan's desire to build missile defenses was frustrated by these attitudes.

The political opposition to building missile defenses diminished greatly when a single Scud landed on a barracks in Saudi Arabia and killed more Americans than all of Iraq's tanks, artillery and aircraft combined. Since then, improved theater missile defenses have been a high priority for Congress and the administration.

Recent events have confirmed that priority. The same week that Americans went to the polls, the ayatollahs of Iran launched up to five Scuds against the mujahideen operating in Northern Iraq. These missile attacks came less than six months after South Yemen fired Scuds into cities in North Yemen, demonstrating that ballistic missiles have become the weapon of choice for aggressive regimes around the world.

The Cold War is over, but the missile threat to the United States continues. Russia and China still have thousands of nuclear-armed missiles, and as the rebellion in Chechnya demonstrates, new political upheavals are likely. Another concern is the possible unauthorized transfer of missiles or missile technology to countries that might use such weapons to threaten the United States or its allies.

But what should the new Republican Congress do? One thing is to change the policy of not defending America. The administration has ignored the missile threat to the United States, apparently content to conduct research in a subject that has been researched to death for 40 years. The time to quit re-engineering and actually begin building defenses has long since passed.

Despite this head-in-the-sand attitude toward a national missile defense (NMD), the administration has supported the rapid development of improved theater missile defenses (TMDs). In fact, the administration deserves considerable credit for proceeding with a robust program to produce and field the Army's new Theater High Altitude Area Defense (THAAD).

The demonstration-validation phase of the THAAD program is more than half complete, the factory to produce the missiles has been built, the first flight test will take place in several weeks, and the first missile unit will be in the field in early 1997. This is enormous progress toward actually getting improved missile defenses in the hands of the troops who need them.

The fast track the THAAD program is on is known as a User Operational Evaluation System (UOES). It calls for fielding a unit in 1997 with 40 missile interceptors for training and for contingency deployment abroad if they are needed any time before deployment is to begin in 2002.

The best thing congressional Republicans can do to keep their promise to deploy missile defenses "at the earliest possible moment" is to continue to support and fully fund the planned THAAD UOES program. They also could revive the moribund national missile defense effort and put it on the same fast UOES track, with a 1999 deadline for a contingency NMD capability.

These ground-based missile defense programs are building on decades of research and development conducted at a cost of billions of dollars. Yet, some of those who kept the SDI program engaged in long-term research that never produced a single weapon are now suggesting that Congress cast aside the existing THAAD and NMD programs in favor of research in space-based interceptors, exotic lasers and long-range sea-based missile defenses, which they contend could protect both U.S. forces overseas and the United States.

> *Until the treaty issue is solved, Congress should concentrate missile defense resources on those programs that can be built under the treaty.*

These are interesting ideas, but if the goal is to deploy defenses as soon as possible it would be a disaster to cast aside the vast amount of work already done on ground-based interceptors to spend billions more and years of research uncertain concepts.

A sea-based TMD is a good v to defend the fleet and nearby sh units and installations. But a lo range, sea-based defense cannot relied upon either to defend United States or to protect Army Marine units in the field, beca the Navy cannot keep its billion d lar-plus Aegis cruisers away fr their primary missions just to co duct missile defense patrols.

Another problem is that bot space-based defense and a se based defense of North Ameri are prohibited by the Anti-Ballis Missile Treaty. Those who wou spend scarce resources on su defenses first should find a way convince the administration withdraw from the treaty. Until t treaty issue is solved, probably a new generation Republican pr ident, Congress should concentr missile defense resources on the programs that can be built und the treaty. That means continui the Patriot upgrade program, p viding funds to move THAAD a NMD toward an early contingen capability, and working on a trea compliant sea-based miss defense.

Congress must reject advice stop the current missile defen programs and start all over on again.

James T. Hackett is policy op ations manager of Titan Systen San Diego.

PAUL CRAIG ROBERTS

Impending crisis over Whitewater

The liberal media and moderate Republicans are trying to psych-out Gingrich and Company in order to prevent any fundamental changes. The argument is that if the Republicans go too far, President Clinton will veto their measures. It is better, say the liberals and the moderates, to compromise in behalf of limited change inplace of none at all.

The truth is the opposite. If Mr. Clinton cooperates with the Republican agenda, he may be spared Whitewatergate impeachment. There is no question that Mr. Clinton is at least as vulnerable as was Mr. Nixon. Sen. Alfonse D'Amato, chairman of the Senate Banking Committee, could easily drive Mr. Clinton from office with Whitewater hearings. Indeed, many people believe that the only thing that will keep Mr. Clinton from being indicted is that he is more valuable to Republicans in office.

One often hears in Republican circles that "Jimmy Carter gave us Reagan, and Clinton gave us a Republican Congress. Clinton is destroying the Democratic Party. Why do we want to evict him?"

Keeping Mr. Clinton in office might not be a bad strategy, but the problem for Republicans is that Whitewater may be too explosive for them to sit on. Serious discrepancies between the testimony of eyewitnesses and the official report on Deputy White Counsel Vincent Foster's death have forced Independent Counsel Kenneth Starr to reopen the inquiry.

Two rescue workers, George Gonzalez and Todd Hall, summoned to Fort Marcy Park when Mr. Foster's body was discovered have told authorities that they saw Mr. Foster's briefcase in his car in the Fort Marcy parking lot. This is big trouble for the official report that places the briefcase in Mr. Foster's White House office with a torn-up suicide note.

This discrepancy gives new weight to the witness who found Mr. Foster's body and has testified under oath that no gun or weapon was present on the scene. Something is seriously amiss when the official report is so totally at odds at crucial points with eyewitness accounts.

Whitewater is proving explosive for another reason as well. It is increasingly pointing to Mena, Ark., the site of gun-running and drug-smuggling operations in the 1980s. A former Air Force intelligence officer has published a book charging that Clinton friends laundered drug money through the Arkansas Development Finance Authority, a state agency under Gov. Clinton's direct control.

Whatever was going on in Mena was big enough that powerful interests in both political parties are determined to keep the lid on. Rep. Bill Alexander, who represented Arkansas for 24 years in the House, was unable to get anywhere with his efforts to investigate Mena. "There was enough evidence to begin cracking it open," says Mr. Alexander, "and suddenly nobody wanted to touch it. I want to know why."

Mr. Alexander notes that despite having "the highest possible clearance that the government can provide for secrecy," he was "denied access to information in a criminal investigation in my own state."

Bill Duncan and Russell Welch, respectively Internal Revenue Service and Arkansas State Police investigators, marshalled evidence of money-laundering connected to Mena activities and managed to get a case before a federal grand jury, but it was botched. Several grand jurors complained of "some type of government intervention" that resulted in a coverup.

The book by the former Air Force intelligence officer drags so many prominent names through the mire that it almost looks like an attempt to convince the public that Mena is nothing but a wild conspiracy theory. An excess of kooky charges is one way to kill an investigation.

If Mena proves to be about anything, I predict it will be a story of the corruption of U.S. politics by drug money. Recently Hernan Cubillos, former foreign minister of Chile, wrote in the Wall Street Journal that "armies that fight drug traffickers become corrupted by them." He notes that "by pushing Latin America's armies into a war on drugs," the United States has caused two South American countries to "have parallel governmen financed by drug money."

Mr. Cubillos says there are onl two solutions to the drug problen drastic Singapore-style punisl ments or legalization. "Either woul destroy the drug lords. What th U.S. is now doing empowers

The best way to avoid a politic crisis when the Mena story final breaks is for Gingrich and Comp ny to have already pulled off a poli ical revolution in Washington.

Paul Craig Roberts is a columni for The Washington Times and nationally syndicated.

Whitewater dissembling as a chronic condition

By Mark R. Levin

If Whitewater is no big deal, why do Clintonites keep lying about it?

Last week Sen. Alfonse D'Amato, the new chairman of the Senate Banking Committee, announced that the Republicans on the committee concluded that administration officials improperly gave the White House confidential information about the Whitewater criminal investigation involving the Clintons.

In response, and on behalf of the Clinton administration, new White House counsel and former appeals court judge Abner Mikva issued the following statement:

"After an exhaustive inquiry and lengthy hearings, the Senate Banking Committee has affirmed what former independent counsel Robert Fiske, a White House internal review, the Office of Government Ethics and the House Banking Committee all previously concluded: The White House violated no law and breached no existing ethical standard in its contacts with the Treasury Department on Whitewater matters."

Of course, anyone other than perhaps Mr. Mikva who watched the now deposed king of the House Banking Committee, Henry Gonzalez conduct his Whitewater nonhearings last summer knows those proceedings were worthless. Indeed, rather than shedding light on the Whitewater matter, they exposed the arrogance of congressional Democrats to millions of C-SPAN viewers.

More important, however, is Mr. Mikva's false claim that the Office of Government Ethics (OGE) "affirmed" that White House staffers broke no law or ethical rule in their over 40 contacts with Treasury officials. This untrue assertion was made by former White House counsel Lloyd Cutler as well.

The July 30, 1994, OGE report to former Secretary of the Treasury Lloyd Bentsen presents the OGE's views on contacts between the White House and Treasury concerning Whitewater. The report is defective in many respects, but it clearly does not provide the legal cover claimed by Mr. Mikva. If Mr. Mikva had read the OGE's report, he would have come across this passage: "[O]ur analysis is not intended to cover, nor should it in any way reflect upon, the actions of individuals who are employed by the White House." In other words, Mr. Mikva's assertion that OGE found no legal or ethical violations by White House officials is flatly false and intended to mislead the public.

Moreover, the OGE report was not very useful in any event. For instance, the OGE admits in its own report that it "is not an investigative agency." The report states further that "[t]he [OGE] does not ordinarily participate in an agency's investigation of the conduct of its own employees or make recommendations as to appropriate disciplinary or remedial action."

The basic mission of the OGE is to provide direction to Executive Branch employees to prevent conflicts of interest. That mission has nothing to do with the issue of Treasury and Resolution Trust Corp. (RTC) contacts with the White House regarding a criminal matter. Nonetheless, the OGE "agreed to review the report issued by [the Inspectors General of Treasury and the RTC] in connection with an administrative investigation . . . to be conducted by them."

Therefore, not only did OGE exempt White House officials from its review, but as to other government officials, such as employees at Treasury and the RTC who were in communication with White House staffers, the OGE confesses it has no investigative experience, it is not competent to conduct an investigation, it did not conduct an independent investigation, and it simply *reviewed* the findings of the Inspectors General.

> *The OGE report is a weak and defective document prepared under pressure of time by the wrong agency.*

Furthermore, the OGE's conclusion about the conduct of certain Treasury and RTC employees, even after having only reviewed the findings of others, is not helpful to the Clinton administration. The OGE report states that "[o]n the basis of our review, we believe that you might reasonably conclude that the conduct detailed" by the Inspectors General in their investigation did not violate ethics rules. This is not a definitive or reliable statement from a competent source. It's meaningless.

In addition, the timing of the OGE's release of its report is very troubling. The OGE report is dated Saturday, July 30, 1994. It was released to the public with much fanfare, positive media spin and claims of exoneration by former Treasury Secretary Bentsen on Sunday, July 31, 1994, only hours before the start of Senate hearings on Monday morning. Of course, the focus of those hearings was the contacts between White House staff and Treasury and RTC officials, the same subject addressed in the OGE report.

Was it coincidence the OGE was able to complete its report the weekend before the Senate hearings, enabling administration witnesses to declare their activities kosher by reference to the report? Hardly. The timing was obviously intended to benefit the White House. Indeed, most of the senators and their staffs hadn't had time to read the report in advance of the Monday hearings. The White House was able to mischaracterize the contents of the report without challenge.

Lest Mr. Mikva repeat the errors of at least one of his recent predecessors, he should dump the deceptive tactics. The OGE report provides no refuge for the Clinton administration. It is a weak and defective document prepared under pressure of time by the wrong agency. It exonerates no one. But now that Mr. Mikva has raised the subject, perhaps Congress will examine the OGE's activities in this case and determine whether it is the independent ethics office envisioned by its congressional architects, or a wholly-owned subsidiary of the Clinton White House.

Mark R. Levin is director of legal policy at Landmark Legal Foundation.

Joshua Steiner's final entry

By Eric Felten

Dear Diary,

Feeling down. I called Roger Rosenblatt to have him sing the Felix the Cat song to me, but he wasn't in. I've always found it comforting to have Roger sing to me. Now he's ignoring me, or at least ducking my calls. Not that there's anything wrong with ducking. In fact, for the record, no ducking, graceful or otherwise, was executed by Mr. Rosenblatt.

In any case, still feeling low. Mighty low. Got the sack today. That cur Rubin was under intense pressure from the White House to get rid of me, and he caved. Well, not really intense pressure, just a little pressure. What kind of pressure I don't really know. Let's just say I'm not getting invited to late-night pizza parties in the West Wing anymore — persona non grata, don't you know. For the record, of course, the president had nothing to do with it. In fact, there was no pressure. Oh, and Mr. Robert Rubin is a fine individual: it would be wholly inaccurate to suggest that he is a dog. (You know better than anybody, Diary, how literal some people can be.)

Wanted to talk to George about this whole fiasco, but Stephy wouldn't return my calls either. I think he's the one who really wanted to get rid of me, the ungrateful weasel. Not that he said anything of the sort. George never talks about getting rid of anyone. And just for the record, I can absolutely, positively guarantee that Mr. Stephanopoulos was not ducking me. He is the least evasive, most straightforward government professional that I have had the honor to know.

So now I'm stuck here in the office, writing to you, Diary. Nothing else to do — Rubin won't let me in on any meetings, let alone run them like I used to. Seems he's afraid I'll tell you what was said. I heard that he was pretty mean about both of us, that he said to the old man, "What kind of moron keeps a diary in this town. Does that Steiner kid think he's Roger Porter or something?" I was furious when I heard that. Really steamed. Who does that cur Rubin think he is, insulting us in front of Lloyd? Well, OK, I wasn't really furious. In fact, I didn't actually witness myself being furious, I just heard about it secondhand. And, once again, Mr. Rubin is a fine individual, etc., etc.

That Matthews woman has already been in. Just making the rounds with her old boss Rubin, she says. I know better. When I was at lunch she was in here measuring the windows for new curtains. She had a tape measure in her purse and everything. (That was a joke, Diary. You know, bitter satire. I have no firsthand knowledge of Sylvia Matthews' comings and goings, or of the contents of her purse. Never have. Satisfied?)

Oh my, how difficult it has become to have these little chats with you, Diary. Ever since you were snatched up by those damn, well you know. All I can say is thank God Connie Chung didn't get her nasty little fingers on you. Though of course Connie Chung is a fine and reputable journalist of the highest caliber. But I digress. The point is, Diary, I don't think I'll be able to share with you much longer. Roger — Altman, not Rosenblatt — got me a great gig on the Street. Did he owe me, and how. You know, owe me for all the diligent hard work I did, nothing more. In any case, the big boys at Morgan are happy to give me the big six figures, but they have one condition — that I stop writing to you. It's a terrible thought, I know, but it really is for the best. Somehow it's not the same anymore.

Oooh, my secretary just rang to say Roger — Rosenblatt — is on the line. Happy day. It's Felix the Cat time. I'm feeling better already. So, bye, Diary. And good riddance.

Eric Felten is an editorial writer for The Washington Times.

The Washington Times WEDNESDAY, JANUARY 11, 1995

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AP-Whitewater-Foster, Ark Bjt,460
Pa k Police, Rescue Workers Show Up For Grand Jury Appearances
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By TE YOST= Associated Press Writer=
SHINGTON (AP) Whitewater prosecutors looking into Vincent Foster's
su le summoned four U.S. Park Police officers and four county rescue workers
Tu y for questioning before a federal grand jury.
e witness list was so lengthy that prosecutors sent two Park Police
of rs home and ordered them to return later in the week, the officers said.
se being summoned were involved in the initial inquiry into the July
20, 993 death of Foster, the deputy White House counsel, said Maj. Robert
Hi , a spokesman at the agency.
anwhile in Little Rock, Ark., a sentencing date of Feb. 27 was set in
the hitewater investigation for former U.S. Associate Attorney General
Web er Hubbell on mail fraud and tax evasion charges.
wever, Hubbell has agreed to cooperate in Whitewater prosecutor Kenneth
St 's investigation and, because of that, Hubbell's sentencing is not
exp ted until much later in the year, said a source familiar with the case.
The ource spoke on condition of anonymity.
bbell like Foster was a partner of Hillary Rodham Clinton in the Rose
Law irm in Little Rock, which performed work for the collapsed savings and
lo at the center of the Whitewater affair.
Washington, four uniformed members of the Fairfax County, Va., Fire and
Re e Department appeared at the U.S. Courthouse.
e rescue worker who testified, George Gonzalez, last year expressed
dou s to investigators about Foster's death being a suicide. Gonzalez
dec ned to discuss his grand jury testimony following his appearance Tuesday.
ster's death was ruled a suicide by Park Police and by former Whitewater
pro cutor Robert Fiske.
arr the new Whitewater prosecutor is reviewing the thoroughness and
com tence of the initial investigation into Foster's death and the
ev ations drawn from that investigation, a non-government source familiar
wi the grand jury proceedings has said.
n New York, a federal judge ruled that photographs can be taken of a
to up note written by Foster and found in a briefcase that belonged to him.
e note was turned over to authorities by White House aides six days
aft Foster's death.
ile allowing photos of the note, U.S. District Judge Sonia Sotomayer
rej cted a demand by The Wall Street Journal that the Justice Department
rel se the Park Police report on Foster's death and an FBI report on the
han ling of the note, in which Foster expressed bitterness over public
cri icism of him and the Clinton administration.

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Je Hurtled Across the Legal Universe Into Whitewater and, Perhaps, an End to His Burning Ambition

By Kim Masters
Washington Post Staff Writer

Kenneth Starr, Act 1.

He did it all by the book—compiling a perfect résumé, walking the path of the prudent man, smoothing his progress with a combination of good nature and good work. One of those people who have their eyes on a very big prize at a very early age.

And virtue was rewarded. The man who is now hotly pursuing the many trails of what has come to be known as the Whitewater affair was once the youngest judge ever named to the prestigious U.S. Court of Appeals for the D.C. Circuit. He became the Bush administration's solicitor general, pleading the government's cases before the Supreme Court. And while he was still a young man, he got a shot at the one thing he really wanted: a seat on the Supreme Court.

Starr was the right man in the right place, but it may have been the wrong time. In an age when "Bork" became a verb, the Supreme Court selection process—always political—became even more so. And some began to question whether Starr was Republican enough. He was conservative, sure. But some critics found him almost overly judicious. He seemed to value congeniality more highly than ideology.

"The general consensus view of people who are active in Republican circles is that Ken was a little soft," says a friend and former colleague at the Justice Department. "He's not an Antonin Scalia or a Clarence Thomas. He's not a hard-line guy who's going to go toe-to-toe with whoever stands up against him."

The call never came.

Kenneth Starr, Act 2.

When the Bush administration had passed into history, Starr the jurist began to morph into Starr the politician. Though he had gone into private practice and started pulling down a reported seven figures a year, Starr wasn't ready to settle down to well-remunerated obscurity.

He came close to running in the Republican primary for the U.S. Senate from Virginia against Oliver North. He served on the finance committee of Kyle McSlarrow, a Northern Virginia Republican who ran unsuccessfully for Congress this past fall. He stepped into the Paula Jones fray, counseling a group of supporters on the position that President Clinton shouldn't be immune to her sexual harassment suit while he remains in office.

STARR, From E1

Then last August he took the job of independent counsel in the Whitewater investigation. And suddenly the man who hadn't been quite political enough was criticized for being too political to conduct a probe that could involve the president.

All of this leaves Starr-gazers a bit confused. The orderly progression of an exemplary career has veered in an unexpected direction. And as the Whitewater case has come back into the news—with the plea bargain by Clinton confidant Webster Hubbell and most recently with today's report that Starr is re-interviewing witnesses about the death of White House counsel Vince Foster—it's fair to ask: Just who is this man trying to unravel the president's past, and what does he expect to get out of it?

Starr has refused requests for interviews, but conversations with friends and former associates offer some insight to this cautious non-prosecutor who is running one of the most sensitive prosecutions in recent memory.

"I thought, 'Here's a guy who wants to be on the Supreme Court. How could he take this?'" says public-interest attorney Andrew Schwartzman, a longtime observer of the D.C. legal scene. "It's no-win for him. He's going to [antagonize] either Al D'Amato or the Democrats." D'Amato, chairman of the Senate Banking Committee, has announced plans to hold hearings on Whitewater later this year.

"There are so many things that can go wrong with the mission which are not within your ability to control," says Starr's longtime colleague Theodore Olson. "And there are so many quarters that can be critical of decisions that you make that may be the best decisions. It is a difficult tightrope to be on."

Taking the Plunge

Starr must have known he'd be on a high wire the minute he contemplated the job. As soon as the appointment was announced, Sen. Carl Levin (D-Mich.), then chairman of the panel that oversees the independent-counsel law, questioned the appearance created by Starr's "highly visible partisan political activities." Sen. Patrick Leahy (D-Vt.) said Starr should promise not to run for office or accept a political appointment after serving in the job.

"Here's a man who is talking about running for the U.S. Senate, who has always been named as a potential [Supreme Court] appointee if there's a Republican administration, and I think that if he's going to take this, he ought to make it very clear that in doing so he's forgoing political ambitions," Leahy said.

Robert Fiske had been appointed by Attorney General Janet Reno under pressure from conservatives to name an independent counsel. A three-judge panel headed by David Sentelle replaced him, ostensibly to ensure that the independent counsel would be perceived as truly independent. But it became known that conservative members of Congress had lobbied the judges to dump Fiske, and that Sentelle had been spotted in the Senate dining room lunching with Sens. Jesse Helms (R-N.C.) and Lauch Faircloth (R-N.C.), one of Fiske's harshest conservative critics.

Now it was the Democrats' turn to cry foul. Five past presidents of the American Bar Association issued a joint statement of concern. Three citizens filed complaints challenging the procedure. But in November, Judge Harry T. Edwards, chief judge of the D.C. Circuit, dismissed the complaints—a decision that was upheld by an appeals panel last month. Starr also hired former Watergate prosecutor Sam Dash as an ethics adviser, and the storm blew over.

Some Democrats even thought that the appointment of Starr could backfire on conservatives, either because he wasn't experienced enough to do the job or because his partisan past could taint the outcome.

In many ways, Fiske seemed ideal for the task: a Republican, an accomplished prosecutor who had gone after racketeers and literally shrugged off death threats, and a man whose political ambitions appeared at this point to be nonexistent.

"If I were Clinton, I'd much rather have Starr," says a senior member of the D.C. bar. "Bob Fiske was a tough, coldblooded prosecutor. Starr is a bright person, but he has a soft side. He's *nice*—and he doesn't have any prosecutorial experience at all."

Fiske is "vastly better" for the job, concurs a longtime Starr associate. "If you wished to bring down the president of the United States, you'd bring Bob Fiske," he says.

The Starr Charm

The controversy over his appointment was painful to Starr—who has always taken pride in an impeccable reputation. Friends say he is truly a Boy Scout: affable, diligent—so straitlaced that he expressed shock to a colleague when then-Attorney General William Barr used a common obscenity at a meeting attended by women.

"A straight shooter," says Schwartzman.

"He is a guy who is almost unbelievably wholesome in many ways—teaches Sunday school, coaches his daughter's softball team," says Robert Shapiro, a Harvard law professor who served as a deputy when Starr was solicitor general.

"He remembers names and things about people and the last thing he may have said to them six months ago and things they have in common—which makes him a person that a lot of people remember, and remember warmly," Olson says.

Not everyone succumbs to the Starr charm. "It can edge over into smarminess," says a former Justice Department colleague.

Whether Starr is a lovely man who is dedicated to public service or a somewhat officious one with a puritanical streak, there is no question that he works hard at what he does. He is "absolutely dedicated to whatever task he undertakes," says John Roberts, a Washington lawyer who also served as a deputy when Starr was solicitor general. "The hours he worked in the solicitor general's office were legendary. And he really gets into things. He would have volumes of records brought into his office—the sorts of things that people at that level don't usually get into."

Starr grew up in San Antonio, the son of a protestant minister who ran a conservative house. A friend says Starr didn't dance until his wife, Alice, persuaded him to give it a try.

After graduating from George Washington University and the law school at Duke University, he clerked for then-Supreme Court Chief Justice Warren Burger until 1977. Afterward, he joined the law firm of Gibson Dunn & Crutcher, where he worked with Ronald Reagan's friend William French Smith. When Reagan was elected president in 1980, Smith became attorney general and Starr followed him, quitting three weeks after being named the firm's youngest-ever partner and walking away from a six-figure salary.

Starr didn't walk in lock step. He was an early backer of Sandra Day O'Connor for a Supreme Court seat. In a case involving Bob Jones University, he argued against those in the Justice Department who wanted to

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abolish the policy of denying tax breaks to discriminatory schools. The administration nonetheless tried to reverse that policy—and failed. Ultimately, the effort was seen as a political misstep.

But even while serving at the top levels of Justice, Starr made no secret of his desire for a judgeship. In 1983, at the age of 37, he was appointed to the U.S. Court of Appeals for the D.C. Circuit, often considered the nation's second most powerful bench. And it seemed like a promising route to promotion: Three of the current nine Supremes previously served there.

The final polish on the résumé came in 1989 when Bush asked him to become solicitor general, the government's top lawyer who argues cases before the Supreme Court. And, not incidentally, four solicitors had gone on to the high court.

But Starr was not to be the fifth. He pressed the administration's position in a variety of cases, but he also resisted on some—notably one in which he sided with government whistle-blowers. When Justice William Brennan's seat on the court came open, Starr's name was duly mentioned. But the job went to David Souter—a little-known jurist who was d to attack on political grounds. Unlike Starr, he had never tangled with conservatives in the administration. Unlike Starr, he had a powerful patron in John Sununu, who was the White House chief of staff.

And unlike Starr, he had never had to argue before the Supreme Court against *Roe v. Wade*, which would have put his views on abortion squarely on the record. That alone would have made for a ferocious confirmation fight.

Not getting on the high court isn't exactly failing, as Starr's friends are quick to point out. "It's a sign of success and good fortune that he's been considered for the Supreme Court and he's not yet 50," says Olson. "It's like an athlete that might have come within a couple of seconds of breaking a world record. You don't call that failure."

Or at least most people wouldn't.

Split Decisions

During his years on the appeals c t, Starr's rulings were unmistakably conservative. An affirmative-action plan imposed by the D.C. Fire Department? No. School prayer? Yes. But he showed genuine interest in the arguments that were made before ı—even those advanced by liberals.

"He is plainly a Republican but not in my view a dyed-in-the-wool, Oliver North, Newt Gingrich kind of Republican," says Alan Morrison of the Public Citizen Litigation Group, a public-interest law firm. "There were times when we couldn't buy a vote on the D.C. Circuit and we could get his attention. He ruled in our favor from time to time, maybe not when he agreed with our position but when he thought the law compelled him to."

Morrison cites Starr's dissent to a ruling that the military could forbid a Jewish officer to wear a yarmulke. "Ken's opinion could have been written by the local ACLU office," Morrison says. Starr also came out with a strongly worded First Amendment ruling that favored The Washington Post in a major libel case.

Of course, that kind of praise doesn't enthrall conservatives. Tex Lezar, Starr's former Justice Department colleague, says Starr's style may have hurt him. "Ken is instinctively a fair-minded person," he says. "He will accurately state your point of view and accurately state your opposing counsel's point of view. He sometimes seems like he's a little bit all over the map to some people."

Life in Litigation

Starr was heavily courted when he left the Justice Department after Bush lost the election. (Fiske had been one of the first to call to try to lure him to Davis Polk & Wardwell.) He chose Kirkland & Ellis, a giant Chicago-based firm, partly because of the firm's willingness to be flexible: At the time, Starr was contemplating a Senate run. But that plan was not ready for execution in 1994. "Ken had not been involved in politics. He had no chips to cash in," says one longtime colleague. "It would have been a non-starter."

One of Starr's friends, ABC correspondent Tim O'Brien, says he couldn't see Starr in politics anyway. "I think he's too nice a guy," O'Brien says. "I think he can take it, but I don't know that he can dish it out."

That left corporate litigation. After almost two decades of handling big-stakes legal cases, friends say Starr found private practice a dull surprise. "I think he got tired of flying across the country to hobnob with some vice president of some company so they'll send them the legal work," says a former colleague. "I bet he was just bored to tears."

Not that Starr took it easy. "If he had any problem at Kirkland & Ellis, it was trying to get into too many things at the same time," says Al Cortese, a former partner who left that firm in August. "That caused him to overwork himself and not to give as precise guidance to those he was working with as he could have. . . . He was just too busy. . . He would leave messages on your voice mail at 4 or 5 in the morning. He was virtually killing himself to keep up."

"He tried to do so many things," says another former colleague. "He had the responsibility of building his aspect of the practice. He had a guarantee [of income] for two years, but after that it was eat what you kill. He also took on a role on the firm's management committee and was sort of running the office in Washington. . . . I was just getting the atmospherics that it was not going easily."

Ed Warren, a senior partner with Kirkland here, says Starr has shown phenomenal energy, but he acknowledges that private practice may require some adjustment. "If you ask me if I think it would be as much fun as being solicitor general, I would say no," Warren says. "Given [that], I think he was both doing well and enjoying it reasonably well."

Which makes Starr's decision to take the Whitewater case curious to some. "Ken had just begun building [a practice]," says Olson. "It wasn't as though he needed a new exciting challenge. He was in the midst of a new exciting challenge."

However, Warren notes that since taking the appointment and shuttling to the independent counsel's offices in Little Rock, Ark., Starr has kept up his Kirkland practice to a surprising degree, working 70- and 80-hour weeks in the process. The law allows for this, though Fiske took a leave without pay, saying he wanted to "go flat-out."

One consequence has been the potential for the appearance of a conflict of interest.

Morrison criticizes the role Starr's firm played in resolving the government's investigation into the safety of certain General Motors pickup trucks—a matter that was settled favorably for GM last month after the administration backed away from a recall threat. Morrison's firm represents individuals who have sued GM over the trucks at issue and it has tried to upset the recent settlement.

"It just looked wrong to have lawyers at Kirkland & Ellis beating up on the Justice Department and asking for favors for their client at the same time one of their partners is investigating the president," Morrison says.

One might expect that kind of talk from a liberal, but private attorneys—even friends of Starr's—have expressed the same reservations. One points out that Paul Cappuccio, Starr's close associate, played a role in negotiating the GM agreement. Starr's partners respond that Starr himself was not involved in the settlement talks. And they observe that the firm is under no legal or ethical obligation to disqualify its attorneys in such matters.

On His Own

Within weeks of his appointment, Starr took a couple of trophies, including the Hubbell plea bargain. But those cases were "ready to go" when Fiske left, says Rusty Hardin, a Houston attorney who was one of Fiske's top aides. Meanwhile, Hardin and almost everyone else who served on Fiske's staff have left, even though Starr tried to persuade some to stay.

From now on, it's all Starr. Despite the lack of experience, Shapiro says his former boss has the skills to handle a major prosecution. "He combines talent, integrity and conscientiousness that seem well suited for the kind of work he's doing," Shapiro says. "He'll make up any gaps pretty quickly."

Several observers say Starr has the most important qualification for the independent counsel's job: good judgment. They also point out that he hired experienced prosecutors, and one of the Fiske people who stayed, William Duffy, is running the Arkansas end of the investigation.

"It is a good legal staff he's got there. And he's picking up with a group of FBI agents that has been working on it continuously for over a year," says Hardin. "What's going to happen now is the natural progression that would be pursued by any good, independent prosecutor."

The investigation centers on Madison Guaranty Savings and Loan, a failed Arkansas thrift with ties to President Clinton and Hillary Rodham Clinton and their Whitewater Development Corp. investment. In addition, Starr is investigating Bill Clinton's campaign fund-raising while he was governor and the activities of the Rose Law Firm, where Mrs. Clinton was a partner. Fiske was six months and $2 million into the inquiry w the judges declined to reappoint him.

And does any of this get him c to the Supreme Court?

Lezar thinks Starr has put those dreams away. "I don't think Ken thinks about the Supreme Court any more," he says. "I think his life taken a different turn. If you have always wanted to be a certain thing and then you say it's not going to happen, you have to put it out of your mind forcefully. . . . I had the sense that Ken reached that sense vis-à-vis the Supreme Court."

Warren says he asked Starr "all those questions" about why he took the independent counsel's job and got some simple answers. "The truth is, he has never gone wrong by accepting the call to public service," Warren says. "It's a combination of duty the pleasure he gets from it."

There isn't much artifice to Starr, say those who know him. Obvious intelligence. Obvious doggedness. Obvious ambition. "As much as anyone in this town—and that's a qualification right there—I think he's relatively ingenuous," says Warren. "Are there others who are more so? Not many."

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.ıelicopter Pilot Unlikely to Be Punished for Statement

By ERIC SCHMITT

WASHINGTON, Jan. 6 — The Army pilot whose helicopter was shot down over North Korea last month did not violate the military's Code of Conduct when he signed a statement saying he had committed an "intolerable crime" when his aircraft "illegally intruded" into North Korean territory, Pentagon officials said today.

Military officials say the statement by the pilot, Chief Warrant Officer Bobby Hall, merely recounted that he and his co-pilot, Chief Warrant Officer David Hilemon, got lost on a routine training flight and accidentally strayed into the North on Dec. 17. Mr. Hilemon was killed.

"Although there is an ongoing investigation into the circumstances of the accident, I don't believe that his statement violates the tenets of the Code of Conduct," said Maj. Bob Potter, a Defense Department spokesman.

The fifth article of the military's Code of Conduct states: "When questioned, should I become a prisoner of war, I am required to give name, rank, service number and date of birth. I will evade answering questions to the utmost of my ability. I will make no oral or written statements disloyal to my country and its allies or harmful to their causes."

Military officials say the language is intended to allow prisoners some discretion if they are facing torture or other life-threatening circumstances.

The military adopted the code in 1955, in part as a response to the use of prisoners for political propaganda in the Korean War, said David Burrelli, a national defense specialist at the Congressional Research Service.

But the code has always been open to interpretation. Mr. Burrelli said the code was intended to give young, inexperienced ground troops a standard of conduct if they were captured. But it was also flexible enough for more experienced officers, typically pilots, to exercise their judgment to survive in life-threatening situations.

Latitude is afforded prisoners under pressure to make propaganda.

The military modified the language and interpretation somewhat after the Vietnam war to account for the pressures to make propaganda statements that American prisoners of war might face.

Lieut. Comdr. Jeffrey Zaun, a Navy A-6 bombardier shot down during the Persian Gulf war and captured by Iraq, said in a telephone interview today that he had read statements critical of the United States on television because "they had a gun and told me they were going to kill me."

Each of the armed services teaches the code to officers and enlisted troops in their regular training. Pilots, commandos and other troops exposed to greater risks typically receive additional training in survival school.

Commander Zaun said the Navy's weeklong course, for instance, trains pilots how to handle hostile interrogations. "It's about as stressful as it can get and still be safe," said Commander Zaun, who said he was beaten by his captors.

Mr. Hall said in interviews on four television networks on Thursday that he wrote only what the North Koreans dictated to him, and agreed to that only after arguing with his captors for four days about exactly what he would sign.

Mr. Hall told the NBC "Today" program that he had ultimately agreed to she statement out of "fear." When asked if he had any regrets, Mr. Hall said he did, "because as a service member that's what we're basically trained to try to avoid doing."

A senior military official said that while Mr. Hall was under "no physical duress to sign the statement," the 28-year-old pilot was under some "mental duress, as would be natural."

To win Mr. Hall's freedom and defuse the crisis, American officials ended up repeating similar language. Gen. Gary E. Luck, the commander of 37,000 American troops in South Korea, sent a letter to North Korea expressing "regret" for violating its airspace and citing "navigational error." The State Department voiced similar regret.

After returning to a hero's welcome that included a congratulatory call from President Clinton, Mr. Hall is not likely to face any disciplinary action for the mishap, Pentagon officials said.

Nonetheless, questions remain about Mr. Hall's navigational competency, why he was permitted to fly so near the demilitarized zone that divides the Korean Peninsula with only 10 hours' flying time near the zone, and why the OH-58 helicopter was not equipped with advanced navigational equipment in such a sensitive flight area.

Whitewater Counsel Re-examines a Suicide

WASHINGTON, Jan. 6 (AP) — Whitewater prosecutors reviewing the death of Vincent W. Foster Jr., the White House deputy counsel, have called three rescue workers to testify before a Federal grand jury about the scene of his death.

The current examination, by the Whitewater independent counsel, Kenneth W. Starr, is the third into the circumstances of Mr. Foster's death. Mr. Starr's predecessor, Robert B. Fiske Jr., and the Senate banking committee, both concluded that Mr. Foster had committed suicide. They also concluded that Mr. Foster was probably suffering from mental depression and that his death may not have been related to the legal work he had been doing for the Clintons.

Mr. Starr had said he, too, would review the death of Mr. Foster, although there is no indications that his conclusions would be any different than those reached by the earlier inquiries.

On Thursday morning, prosecutors were overheard discussing plans to present photos from the scene of Mr. Foster's suicide at Fort Marcy Park in Virginia to grand jurors in Washington.

Later in the day, at least two rescue workers testified before the grand jury, which met into the evening.

Beyond questions surrounding the suicide, Mr. Starr has been investigating how White House aides handled the documents in Mr. Foster's office after his death. Some of those papers involved President and Mrs. Clinton's business dealings in Arkansas.

Governor Proposes Tax Cut in California

Special to The New York Times

SACRAMENTO, Calif., Jan. 6 — Gov. Pete Wilson said today that he would ask the State Legislature to cut personal and business income taxes by 15 percent over three years.

The Republican Governor, beginning his second four-year term, said he would seek the tax cuts recommended to him last month by a group of economic advisers.

Speaking on Rush Limbaugh's syndicated radio show, Governor Wilson said lower taxes would put California in a much better position competitively. "We are a high-tax state," he said.

Californians with adjusted gross incomes of more than $200,000 a year now pay state income taxes at a top rate of 11 percent. The Governor's proposal would cut that rate to 9.4 percent. Businesses currently pay 9.3 percent of their profit, and that rate would drop to 7.9 percent

The Governor's advisory group, which was led by former Secretary of State George P. Shultz, said the tax reductions would amount to $9.1 billion.

This year, California borrowed $7 billion to stay afloat financially, and $3 billion must be paid off in the fiscal year that ends on June 30, and another $4 billion is due in 1996. The state's total budget amounts to $52 billion this year.

11

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(ndy) (ATTN: National editors) (Includes optional trims)
D'Ama o, Democrats Release Dueling Reports on Whitewater (Washn)
By Ti othy M. Phelps= (c) 1995, Newsday=

WASHINGTON The Senate Banking Committee, on its last day under Democratic control, concluded Tuesday that no laws were broken when the White House discussed Whitewater with officials investigating the role of the president and first lady.

But Sen. Alfonse D'Amato, R-N.Y., who Wednesday becomes chairman of the committee, issued his own report saying that Deputy Treasury Secretary Roger Altman had lied about his role in the discussions and that ``there was a pattern of White House involvement at the highest level'' in Altman's alleged misstatements.

The assertions revisited the ongoing political maneuvering over the first phase of the Whitewater investigation, focusing on what the White House now admits were improper attempts to learn what Treasury officials were doing about the possible involvement of President Clinton and his wife, Hillary Rodham Clinton, with a failed Arkansas savings and loan. The Clintons and the S&L's owner, James McDougal, were partners in the Whitewater land development project. There have been allegations that the Clinton's gubernatorial campaigns or the Whitewater development may have improperly benefited from the S&L and that Clinton may have given it regulatory assistance as governor.

They are hardly the last word on the subject, however, since D'Amato has said he will hold new hearings on the subject now that he can chair them.

And though special counsel Robert Fiske had already concluded that neither Altman nor the White House broke any laws regarding the discussions, D'Amato has asked his replacement, Kenneth Starr, former solicitor general, to re-examine the issue.

The Democrats and Republicans did agree that there were numerous inconsistencies in testimony by White House and Treasury Department officials during the hearings last summer.

They also agreed that former White House Deputy Counsel Vincent Foster's death was a suicide. Right-wing activists and some journalists have suggested that Foster, who, as a private lawyer in Arkansas, handled Whitewater matters for the Clintons, may have been murdered.

(Optional add end)

Meanwhile, in Little Rock, Ark., a lawyer who admitted bribing a lender was sentenced Tuesday to 16 months in prison the first jail term imposed in the yearlong Whitewater investigation.

Charles Matthews, 55, was also fined $7,500 on the two misdemeanor bribery counts by U.S. District Court Judge Stephen Reasoner.

Matthews was an associate of David Hale, who has alleged that Clinton pressured him into loaning $300,000 to McDougal's wife, Susan McDougal, one of Clinton's partners in the failed Whitewater land venture. Hale operated a lending company that handled Small Business Administration money.

Matthews and two other men were accused of loaning Hale $800,000 to help Hale qualify for SBA grants. Prosecutors say Matthews and his associates expected Hale to give them low-interest SBA loans in return.

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BC WHITEWATER 1STLD (SCHEDULED)
TREASURY'S HANSEN CALLS WHITE HOUSE CONTACTS PROPER
(Eds: Updates with Hanson testimony)
By William Scally

WASHINGTON, Aug 1 (Reuter) - The Treasury Department's top legal officer Monday defended her meeting with White House aides on the Whitewater affair as proper.

Jean Hanson, the department's general counsel, was testifying in public for the first time about contacts between White House and Treasury officials regarding the affair that has embarrassed President Clinton.

``I have no doubt about the propriety of my actions and I have no reason to doubt the propriety of anyone else's actions,'' she told the Senate Banking Committee.

She said she gave information to the White House about an investigation into an Arkansas savings and loan institution because of impending press leaks about its relation to Clinton.

Clinton and Hillary Rodham Clinton were partners with the head of the Madison Guaranty savings and loan, James McDougal and his wife, in a failed vacation development called Whitewater.

The savings and loan later collapsed, and questions have been raised as to whether federally insured funds went to the investment or to retire a Clinton campaign debt.

The Clintons were named as possible witnesses when the Resolution Trust Corp, the savings and loan cleanup body, referred its Madison investigation to the Justice Department for possible criminal action.

Hanson said Treasury Deputy Secretary Roger Altman had ``tasked'' her to alert Bernard Nussbaum, then White House counsel, to possible leaks of the criminal referral last September after an RTC official had called to warn her about them.

She called her action ``entirely appropriate and necessary,'' noting that the referral was indeed leaked.

William Roelle, the former RTC senior vice president, told the committee earlier Monday that he had briefed Hanson on the Madison investigation but said the information was given only as an advisory to Altman, then acting head of the RTC, and was not to be discussed with anyone.

Other RTC officials also said the referral should have remained confidential.

Hanson said she did not recall Roelle's admonitions about the confidentiality of the information.

Altman has said he did not recall telling Hanson to brief Nussbaum, but Hanson told the committee that Altman had known and approved of her talk with Nussbaum.

``In my view, the difference between Mr Altman's and my recollections on this point is not significant,'' she said.

Hanson also described as ``proper'' a White House meeting last February at which she and Altman briefed Nussbaum, Harold Ickes, White House deputy chief of staff, and other White House officials on the impending expiration of the statute of limitations on civil lawsuits against Madison and other savings and loans.

The meeting also discussed the desire of Altman, then acting head of the RTC as well as deputy Treasury secretary, to recuse, or separate, himself from the Madison inquiry.

Nussbaum has testified that he did not believe Altman should recuse himself in the absence of any legal or ethical reason to do so.

Hanson said Altman agreed to think about it overnight and then decided not to recuse himself for the time being.

Hanson also testified about her role in Altman's controversial appearance before the banking committee on February 24, which she had attended.

Altman's testimony about Treasury-White House contacts had to be revised four times in subsequent letters to the committee.

She said the opportunity never arrived at the hearing for her to correct Altman's incomplete testimony.

Committee Chairman Donald Riegle, a Michigan Democrat, told her sharply that she had a responsibility to supplement Altman's testimony at the hearing, rather than waiting to correct the record later.

REUTER

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She called her action ``entirely appropriate and necessary,'' noting that the referral was indeed leaked.

William Roelle, the former RTC senior vice president, told the committee earlier Monday that he had briefed Hanson on the Madison investigation but said the information was given only to advise Altman and was not to be discussed with anyone.

Other RTC officials also said the criminal referral should have remained confidential. Hanson said she did not recall Roelle's admonitions about the confidentiality of the matter, but also said she knew nonetheless it was to be kept confidential.

Altman has said he did not recall telling Hanson to brief Nussbaum, but Hanson told the committee that Altman had known and approved of her talk with Nussbaum.

``In my view, the difference between Mr Altman's and my recollections on this point is not significant,'' she said.

REUTER

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AM Whitewater-Mystery Memo,280

Contents Of Mystery Memo Not All That Intriguing

WASHINGTON (AP) A 25-page White House memo to Hillary Rodham Clinton that was turned over to Congress so heavily deleted that it caused momentary intrigue at the Whitewater hearings actually contains few surprises.

A copy of the March memo without the deletions shows presidential aide Harold Ickes was simply summarizing several recent Whitewater related developments for the first lady.

It included a seven-page attachment from a White House lawyer who opined about potential, remote problems that could arise in the ongoing Whitewater investigation for the Rose Law Firm of Arkansas, where Mrs. Clinton was a partner before coming to Washington.

But the information was drawn mostly from two government reports on the issue that had been released to the public days earlier.

About the only interesting fact passed along to Mrs. Clinton in the correspondence came in a footnote of an attachment. In it, it was relayed that the White House was upset about the naming of former Republican prosecutor Jay Stephens to work on a part of the Whitewater probe.

Clinton aide George Stephanopolous has been criticized for inquiring with regulators about whether Stephens could be removed. Nothing, however, was ever done and that contact had already occurred by the time Mrs. Clinton received the memo.

The White House voluntarily released the unedited version of the memo to the Senate Banking Committee after House Republicans, using the deleted version, suggested last week during Whitewater hearings that the Clinton administration was trying to hide facts.

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BC Whitewater-Panel-Told-Hanson-Ignored
Whitewater Panel Told Hanson Ignored Confidentiality (Update3)
(Adding Hanson's testimony)

Washington, Aug. 1 (Bloomberg) -- A former regulator testified today that the Treasury Department's top lawyer ignored his plea for confidentiality by giving the White House a heads up regarding an investigation into a failed Arkansas thrift with ties to the Clintons.

William Roelle said he specifically asked Jean Hanson, the Treasury's general counsel, not to disclose the existence of nine ``criminal referrals,'' which listed President Clinton and Hillary Rodham Clinton as possible witnesses to fraud by Madison Guaranty Savings & Loan.

``Criminal referrals are highly sensitive matters,'' said Roelle, a former vice president with the government's Resolution Trust Corp. ``They should not be discussed outside the agency.''

Hanson, however, who followed Roelle to the witness table at the Senate's Whitewater hearings, said she couldn't recall receiving any such instruction from Roelle.

``None of that rings a bell,'' Hanson told a bewildered Senate Banking Committee. ``I don't recall that at all.''

Hanson said a few days after Roelle advised her of the referrals last fall, she relayed the information to White House counsel Bernard Nussbaum so he could respond to anticipated press leaks.

``The RTC leaks,'' she explained.

Told Nussbaum

Hanson said she informed Nussbaum of the referrals at the request of Deputy Treasury Secretary Roger Altman, who headed the RTC at the time.

Altman, who says he can't recall giving such instructions, is to appear before the panel tomorrow.

``Mr. Altman says he can't recall tasking me,'' Hanson said. ``In my view that is insignificant.... If I thought it was inappropriate to brief Mr. Nussbaum, I wouldn't have do so.''

Hanson, as Altman did at a news conference last week, contended that personal recollections often differ and expressed support for Altman.

Altman is certain to face tough questioning by the panel. Many members, Democrats as well as Republicans, say they believe he was less than candid with them last February when he first disclosed what proved to be a series of more than 40 White House-Treasury contacts about the Madison probe.

Madison was owned by Jim McDougal, a partner of the Clintons in the Whitewater Land Development Corp., an Arkansas real estate venture.

Special Whitewater counsel Robert Fiske is now attempting to determine if funds were unlawfully funneled from Madison to Whitewater or to Clinton's 1984 gubernatorial campaign.

Accompanied Altman

Hanson accompanied Altman to Capitol Hill last February when he told the Senate Banking Committee that he was aware of only one substantive White House-Treasury contact.

Within days, however, Altman began revising his testimony to add several other contacts, including one where he discussed with White House aides recusing himself from the Madison investigation.

Hanson testified today that she believed at the February hearing that Altman should have mentioned the other contacts. But she decided to wait until after the proceedings to formally add them in writing.

Senate Banking Committee Chairman Don Riegle (D-Mich.) disagreed with her decision not to have immediately cited the other contacts.

``When the hearing was under way and pointed questions were being asked, there was a requirement on his part and yours to make sure that the answers were complete and responsive,'' Riegle said.

Tough Questioning

Hanson underwent tough questioning by several lawmakers before Sen. Christopher Dodd (D-Conn.) led the general counsel through some welcomed testimony.

``Did you take any action to obstruct the (RTC) investigation?'' Dodd asked.

``Absolutely not,'' Hanson replied.

``Did anyone at the RTC, the White House, Treasury or any other agency take any action to interfere with the criminal referrals?''

``No sir,'' she said.

The House Banking Committee is to resume its own Whitewater hearings Wednesday. Both panels are expected to complete the first phase of their limited proceedings Friday.

Roelle indicated during his testimony that the RTC investigation of Madison was a poorly kept political secret in both Democratic and Republican circles as early as 1992.

He said in the final months of the 1992 presidential campaign, the Bush White House asked the RTC about the highly sensitive probe.

Sen. John Kerry (D-Mass.), a member of the Banking Committee, said the inquiries were directed by C. Boyden Gray, President Bush's White House counsel.

The Associated Press reported that Gray, in a weekend interview, denied ever learning anything about the investigation.

Roelle said the RTC told the Bush White House that it would have been improper to discuss the case. --Tom Ferraro in Washington (202) 434-1800 /ba

(For more information about Congress; NI CNG; about Clinton administration, NI EXE; on politics: BBN45) -0- (BBN) Aug/01/94 19:31 EOS (BBN) Aug/01/94 19:31 86

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Document Shows White House Briefed First Lady On Whitewater

By Greg Hitt

Dow Jones Staff Reporter

WASHINGTON -DJ- A White House document shows First Lady Hillary Rodham Clinton was briefed in March by top administration aides on the unfolding Whitewater controversy.

While the document does not suggest any improper conduct, it sketches the liability Mrs. Clinton and the president could face if investigators were to conclude that the Clinton 1985 gubernatorial campaign in Arkansas had knowingly received funds diverted improperly from Madison Guaranty Savings and Loan.

The memo also outlines the range of sanctions that could be faced by the Rose Law Firm for not disclosing a potential conflict of interest before agreeing to represent the Resolution Trust Corp. in matters related to the failure of the Arkansas thrift.

Mrs. Clinton was once a partner in the firm based in Little Rock, Ark.

'Under the facts as we now understand them, it would seem quite unlikely that the RTC could bring a civil action against the Rose firm or any of its attorneys for failure to disclose the conflict,' says the memo prepared by Neil Eggleston, associate counsel to the president. 'Criminal liability for the Rose firm would seem even more remote.'

Eggleston delivered the memo to Harold Ickes, deputy White House chief of staff, on Feb. 28, one day after Treasury Deputy Secretary Roger Altman's controversial Whitewater testimony before the Senate Banking Committee. Ickes passed it on to the First Lady on March 1.

The White House originally provided the Senate and House banking committees an edited copy of the memo, but delivered a complete version over the weekend after GOP objections.

'We commend the White House for its good faith and cooperation in this matter,' Sens. Donald Riegle, D-Mich., and Alfonse D'Amato, R-N.Y., said in a joint statement.

(MORE) DOW JONES NEWS 08-01-94

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BC RTC-Chief-Says-He-Was-Stunned-by

RTC Chief Says He Was Stunned by Whitewater Heads Up (Update2)

(Updating with testimony from RTC officials)

Washington, Aug. 1 (Bloomberg) -- The Treasury Department's top lawyer ignored a plea for confidentiality and advised the White House of an investigation into a failed Arkansas thrift with ties to the Clintons, Congress was told today.

William Roelle, a former regulator with the Resolution Trust Corp., said he urged general counsel Jean Hanson on Sept. 27 not to discuss the RTC case with anyone.

Regardless, three days later, Hanson informed the White House of a criminal referral in the probe that named President and Hillary Rodham Clinton as possible witnesses.

Appearing at the second day of the Senate Banking Committee's Whitewater hearings, Roelle said: ``Criminal referrals are highly sensitive matters. They should not be discussed outside the agency.''

Hanson, who followed Roelle in testifying before the Senate panel, maintains Deputy Treasury Secretary Roger Altman instructed her to inform the White House of the RTC criminal referral.

Altman, who claims he cannot recall giving Hanson any such instruction, is to testify before the committee tomorrow.

Roelle indicated that the RTC investigation of the Madison Guaranty Savings & Loan was a poorly kept political secret in both Democratic and Republican circles.

He disclosed that in the final months of the 1992 presidential campaign, the Bush White House asked the RTC about the highly sensitive probe.

Sen. John Kerry (D-Mass.), a member of the Senate Banking Committee, said the inquiries were directed by C. Boyden Gray, President Bush's White House counsel.

The Associated Press reported that Gray, in a weekend interview, denied ever learning anything about the investigation.

Roelle said the RTC told the Bush White House that it would have been improper to discuss the case.

Madison was owned by Jim McDougal, a partner of the Clintons in the Whitewater Land Development Corp., a real-estate venture in the Arkansas Ozarks.

Whitewater special counsel Robert Fiske is now attempting to determine if funds were unlawfully funneled from Madison to Whitewater or to Clinton's 1984 gubernatorial campaign.

McDougal and the Clintons deny any wrongdoing.

John Ryan, acting head of the RTC, testified today he was stunned to learn that the Clinton White House was advised of the criminal referral.

But Ryan, Roelle and other RTC officials insisted no one in the administration attempted to interfere with the agency's investigation. The RTC cleans up failed S&L's.

``No on at the Treasury Department has exerted any pressure or done anything to influence the investigation of Madison.''

And, Ryan said, ``I did not instruct anyone (at the RTC) to do anything other than to find the truth.''

Regardless, some Republican lawmakers have called on Altman to resign, saying he was less than candid with Congress last winter in first disclosing a series of more than three dozen White House-Treasury contacts about the RTC probe.

At the time, Altman was acting head of the RTC. He subsequently stepped down from the independent federal agency, but kept his job at the Treasury Department.

Appearing today on NBC, Altman said he and other Treasury officials ``made mistakes'' in contacting the White House last year and winter about a federal probe.

``But,'' Altman insisted , ``nothing unlawful occurred and nothing ıethical occurred, and I think that is the bottom line.''

Special Whitewater counsel Fiske, in a report June 30, said there was ısufficient evidence to bring criminal charges for the contacts. But he efused to pass judgment on the propriety of the meetings, which occurred etween March 1993 and last February.

The non-partisan Office of Government Ethics ruled Saturday that the White ouse-Treasury contacts didn't violate ethics rules. But the office said some f these meetings were at least troubling and questioned if Treasury officials nderstood the rules.

Ryan and Roelle were joined at the witness table today by Ellen Kulka, the TC's general counsel, and Stephen Katsanos, an RTC press officer.

Kulka insisted she did not tell Altman during a Feb. 1 meeting that the TC's Madison probe wouldn't be completed in time to file lawsuits prior to ne expiration of the statute of limitations on Feb. 28.

But Sen. Al D'Amato (R-N.Y.) challenged that assertion, reading a eposition to committee staffers by another Treasury official who said Kulka id reveal such inside information.

Kulka responded by saying, ``I told Mr. Altman that it is certainly an nusual circumstance to have such a short period of time to examine such omplex issues.''

Congress last winter, at D'Amato's urging, passed legislation to extend he statute of limitations in the Madison case, and Clinton signed the measure nto law.

The House Banking Committee is to resume its own Whitewater hearings ednesday. Both panels are expected to complete the first phase of their imited proceedings by Friday.

--Tom Ferraro (202) 434-1800/daw/mfr/

(For more information on Congress; NI CNG; on Clinton administration; NI :XE) -0- (BBN) Aug/01/94 17:02 EOS (BBN) Aug/01/94 17:02 86

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Hubbell indictment may be near

Grand jury looks at billing practices at Rose Law Firm

By Jerry Seper
THE WASHINGTON TIMES

LITTLE ROCK, Ark. — A federal grand jury here investigating the Whitewater affair is looking to indict former Associate Attorney General Webster L. Hubbell on felony charges of fraud and making false statements to a government agency in connection with billing irregularities at the Rose Law Firm.

According to sources close to the investigation, grand jurors are considering accusations that Mr. Hubbell — a longtime friend of President Clinton and former law and business partner of first lady Hillary Rodham Clinton — billed the Rose firm for as much as $100,000 in personal expenses, some of which was charged back to clients, including the federal government.

The accusations, the sources said, are based on information from several Rose firm partners, many of whom were questioned by FBI agents assigned to Whitewater independent counsel Kenneth W. Starr, and on numerous documents collected by investigators that purportedly describe suspected billing irregularities by Mr. Hubbell.

The documents, submitted to grand jurors for their review, include records initially sought by Mr. Starr's predecessor, special counsel Robert B. Fiske Jr., who expanded the Whitewater probe earlier this year from a look into financial problems at Madison Guaranty Savings and Loan Association and Whitewater Development Corp. to include the Hubbell billings.

Other records, according to the sources, came from the Resolution Trust Corp. (RTC), a Rose client that was responsible for overseeing Madison after the thrift was closed by federal regulators in 1989 at a cost to taxpayers of $50 million.

An indictment in the case could come in the next two weeks, according to the sources. The sources, all of them familiar with the Whitewater investigation, said the grand jury is considering mail-fraud charges against Mr. Hubbell, who might have used Rose firm checks — sent through the mail — to pay some of his personal bills.

An internal investigation by officials at the Rose firm into suspected improper billings by Mr. Hubbell was reviewed by the grand jury last week, the sources said. The law firm's inquiry also was explained to grand jurors by at least one Rose partner who was called by Mr. Starr to testify.

Mr. Starr's office has declined any comment on the Whitewater probe, saying the investigation has been and will continue to be conducted in secret.

Investigators are trying to determine whether Mr. Hubbell charged the Rose firm for personal expenses by listing them on billings submitted to the firm's accounting office as client or business expenses, the sources said. Documents collected by investigators also show that Mr. Hubbell may have made improper billings directly to several clients, the sources said.

The billings included cash and credit-card purchases by Mr. Hubbell; his wife, Suzanna; and his four children at several Little Rock stores. Included in the purchases were items from at least four upscale boutiques in an area of Little Rock known as Pulaski Heights, a fashionable section of the city less than a mile from where the Hubbells lived before their January 1993 move to Washington.

Three Little Rock business owners confirmed last week that FBI agents on the Whitewater task force had sought cash and credit-card records for the Hubbells dating back to 1988 in subpoenas issued Nov. 4.

Mr. Hubbell, who served as managing partner at the Rose firm until his January 1993 appointment by Mr. Clinton to the Justice Department's No. 3 position, has not returned several calls to his Washington office for comment.

A lawyer, Mr. Hubbell now maintains an office in Washington at G. William Miller Inc., a merchant banker, although a receptionist was not clear this week about what he does. The Miller firm also hosts offices for the Presidential Legal Defense Fund.

Mr. Hubbell resigned his Justice Department position in March, saying he needed more time to answer concerns by some Rose partners and associates about his billing practices. He described the concerns at the time as an "internal dispute," although more than two dozen Rose partners agreed this year to complain about their former colleague to the Arkansas Committee on Professional Conduct.

Records obtained by Mr. Starr and Mr. Fiske from the Rose firm, along with interviews of several partners, show that Mr. Hubbell may have used checks from the firm to pay for personal expenses, later reclaiming them on client billings.

The sources said Whitewater investigators believe some of the Hubbell expenses may have been charged back to the RTC, which would account for Mr. Starr's interest.

If Mr. Hubbell, who represented the federal government in a case involving Madison in 1989, improperly billed the RTC for personal expenses, federal law enforcement officials said he could be charged with making false statements to a federal agency. The officials said he also would face felony fraud charges if the improper billing accusations are proven to be true.

A Hubbell indictment would further complicate efforts by the White House to realign itself in the wake of the Nov. 8 midterm landslide by Republicans.

The Washington Times THURSDAY, DECEMBER 1, 1994

White House counters attacks

Whitewater heat creates eruption

By Paul Bedard
THE WASHINGTON TIMES

A1

The White House is flashing anger at the flare-up of Whitewater-related charges and probes reaching into the highest levels of the West Wing as President Clinton struggles to right his listing administration.

Since the Democrats lost their House and Senate majorities in the midterm elections, the White House has been met with reports about Whitewater investigators closing in on the president's associates.

The Washington Times, the Los Angeles Times, The Washington Post and the Associated Press have reported that Whitewater independent counsel Kenneth W. Starr is looking into financial irregularities involving former Assistant Attorney General Webster L. Hubbell.

And The Washington Times reported yesterday that Mr. Starr is focusing part of his investigation on top White House aide Bruce Lindsey and Clinton adviser Betsey Wright.

Those reports have been fed by calls from House and Senate Republicans for new congressional hearings into Whitewater — maneuvers the White House says are politically motivated to damage Mr. Clinton further as he nears the halfway mark of his term.

Sen. Alfonse M. D'Amato, the New York Republican who will be the chairman of the Senate banking committee, has asked Mr. Starr to examine whether White House advisers Harold Ickes and George Stephanopoulos lied to the committee during the summer about their knowledge of Whitewater.

"It's what it's always been, and I wouldn't necessarily characterize it as the truth," Clinton spokeswoman Dee Dee Myers said yesterday about the charges.

First lady Hillary Rodham Clinton called the demands for new congressional Whitewater hearings a "sideshow" that should be ignored to let the president fulfill his campaign promises to change the country.

But administration officials fear that, despite their urging that Whitewater be ignored, the expectations of criminal indictments of Clinton associates and GOP-controlled hearings on Whitewater will cloud much of what the

see CLINTON, page A15

• *A federal grand jury considers indicting Webster L. Hubbell. A15*

CLINTON

From page A1

White House does early next year.

"I think we should move on," Miss Myers said.

Most Democrats say that probably won't happen, but they are not rushing to defend the White House.

"You will see very few Democrats rallying around the Clintons," said Stephen Hess, a Brookings Institution senior fellow who has worked in four administrations.

"Whitewater is a Clinton scandal, not a Democratic scandal. . . . The Clintons could fall under the weight of Whitewater without bringing down the Democrats, and they don't mind that," he said, noting that many Democrats have blamed the party's problems on the president and his unpopularity.

The focus on Whitewater comes as the White House pushes to compete with the Republicans on domestic issues early next year.

But Democratic Party adviser Tony Coehlo said he is telling the White House "don't panic."

Mr. Coehlo said the White House hope is that the Republicans and Mr. Starr will "hang" themselves by appearing too partisan on Whitewater. "The thing to do is to give them rope."

As for the agenda, "the Republicans in Congress are going to try to control the megaphone for at least four months, but trying to take it away from them is a mistake" that would invite more criticism and calls for investigations, said Mr. Coehlo, a former California congressman.

Mr. Clinton is considering making a series of speeches in mid-December and seeking congressional approval to move up the date of the State of the Union address.

Mr. Clinton followed a similar path last year when he tried to use the December congressional recess to focus on family values. But that effort was derailed when the Los Angeles Times and the American Spectator detailed allegations from Arkansas state troopers that they had helped arrange sexual trysts for him when he was governor of Arkansas.

The White House scrambled to defend the president, and Mrs. Clinton was prominently featured.

As that controversy unfolded last year, she said: "Even though you're a public figure — which means apparently in America anybody can say anything about you — even public figures have feelings and families and reputations."

This week the first lady expressed similar feelings about the first family's critics.

"I try to take such matters seriously, but not personally," Mrs. Clinton said. She hopes that GOP criticisms and promises to investigate Whitewater allegations do not halt the administration's agenda.

"This should not be about personalities, and I don't think it should be about sideshows," she said.

While the White House plans to propound its developing agenda for 1995 and the 1996 re-election campaign, Mr. Clinton is philosophical about facing — and fighting — political opposition as part of the presidency.

In an American Heritage magazine interview published yesterday, the president said: "When you're challenging people to make changes, changes that have a long-term, future benefit, against entrenched forces, you have to expect to be stoutly opposed, often misunderstood and sometimes defeated. You just have to accept that. That's part of history. And you have to govern in the times in which you live and deal with it the best you can."

The recent Whitewater reports detailing various investigations into the failed Arkansas land deal in which the Clintons were partners threatens to derail White House success.

Yesterday's report in The Times about Mr. Starr's probe of Mr. Lindsey and Miss Wright drew fire from Miss Myers, who said the report included "factual inaccuracies." Invited to identify them, she declined.

Miss Wright said the account was "poisonous poppycock and unfounded balderdash."

Miss Myers also disputed Mr. D'Amato's allegations about Mr. Ickes and Mr. Stephanopoulos: "The White House cooperated fully with the congressional hearings earlier this year. The issues . . . that were covered in that were fairly aired. The special prosecutor has already reviewed the transcripts and the results of that hearing, and I think we should move on."

Asked why she thinks Mr. D'Amato is pressing the issue, she smiled and said, "I'm sure it's good government."

The Washington Times THURSDAY, DECEMBER 1, 1994

Whitewater Counsel Nears Decision on Indictments

By STEPHEN LABATON
Special to The New York Times

WASHINGTON, Nov. 30 — Nearly three months into his job, the independent counsel Kenneth W. Starr is approaching his first critical decisions, including whether to seek an indictment of Webster L. Hubbell, a former senior Justice Department official and a close friend of the Clintons, people involved in the case said today.

Mr. Starr is also considering whether to offer Mr. Hubbell a plea bargain in exchange for his cooperation in the expanding investigation they said.

A decision is expected in December, they said, adding that independent counsel would also weigh a possible indictment against Gov. Jim Guy Tucker in Arkansas.

In recent weeks, prosecutors in Mr. Starr's office have engaged in an internal debate about whether to seek Mr. Hubbell's help in exchange for leniency. There is some thought among the lawyers involved in the case that his cooperation might be helpful in building other cases.

The multiple-count indictment the prosecutors are said to be considering against Mr. Hubbell would include accusations of overbilling the Government for representing regulators in connection with a failed savings association, and might also include related income tax violations. But the indictment would not shed any new light on the underlying real estate transactions or the campaign contributions at the heart of the Whitewater investigation.

Mr. Hubbell, a former Mayor of Little Rock, had long been a golfing companion of Mr. Clinton and was a law partner of Hillary Rodham Clinton in Arkansas. He has denied that he did anything improper. His lawyer, John Nields, did not return a telephone call today seeking comment.

Mr. Tucker, who was re-elected in November, has been under investigation for loans he received from the savings institution, Madison Guaranty Savings and Loan of Arkansas, which is owned by the Clintons' partner in the Whitewater development venture, James McDougal. In September, Federal regulators said in court papers that they were considering filing fraud claims against Mr. Tucker. He has said he is confident that he will be vindicated and that did nothing to justify an indictment.

As Associate Attorney General, Mr. Hubbell was the main conduit between the Justice Department and the White House. Investigators have also been examining whether Mr. Hubbell played any role in the Justice Department's handling of criminal investigations involving Madison Guaranty and associates of the Clintons in Arkansas. The Justice Department investigations suffered from months of bureaucratic delay.

Pondering a deal offer for a former Justice official.

The independent counsel's office ultimately took over the investigations.

During the early months of the Clinton Administration, Mr. Hubbell was in virtual control of the Justice Department as the White House scrambled to find an Attorney General. Its first nominee, Zoë Baird, withdrew her nomination when it was disclosed that she had failed to pay Social Security taxes for a housekeeper, and Janet Reno was not confirmed until April 1993.

But Mr. Hubbell stepped down abruptly in March of this year, the same week his former partners at the Rose law firm of Little Rock decided to file an ethics complaint against him for improper billing practices.

The firm had done extensive work for Federal savings and loan regulators, and it has struggled through much of the year as a target of several Federal investigations examining whether it overbilled the Government or violated conflict-of-interest rules.

Mrs. Clinton and other Rose lawyers did work during the 1980's for Madison, which ultimately collapsed at a cost to taxpayers of $60 million. Even though the Rose firm was a potential target of the regulators, the law firm and Mr. Hubbell were retained by the regulators to file a lawsuit against Madison's accountants.

Trying to reconstruct Mr. Hubbell's finances, Mr. Starr's staff has blanketed merchants in Little Rock with grand jury subpoenas seeking information about any bills submitted by him. And at least one lawyer from the Rose firm has recently appeared before the grand jury to discuss Mr. Hubbell's billing practices.

An indictment of Mr. Hubbell would represent a significant step for the counsel's office, which has filed no charges in 11 months and reached one plea agreement, with David Hale.

Mr. Hale, a former municipal judge, had faced fraud charges. He told prosecutors that he was pressured by Mr. Clinton in the 1980's to make an improper federally guaranteed loan to Susan McDougal, a business partner of the Clintons. Mr. Clinton has denied the accusation, and lawyers involved in the investigation said the prosecutors would not be able to make a case against Mr. Clinton about the loans without evidence that could corroborate Mr. Hale's assertion.

The Whitewater investigation was set back by several months when a Federal appeals court in August appointed Mr. Starr to replace Robert B. Fiske Jr. Only two members of Mr. Fiske's staff have remained in the office. Mr. Starr, a former Federal appeals judge and Solicitor General, had no prosecutorial experience before taking on the assignment.

Mr. Starr's decision about whether to seek indictments is expected to be made in December, just as the Senate Banking committee under a new Republican chairman, Alfonse M. D'Amato of New York, prepares for a new round of Whitewater hearings early next year.

With the blessing of other Republicans on the committee, Senator D'Amato has said he will hold an aggressive series of hearings that could begin as early as February. The committee's Republican members sent a letter to Mr. Starr yesterday asking him to closely examine the Congressional testimony of White House aides George Stephanopoulos and Harold M. Ickes for possible inconsistencies.

After taking their grand jury testimony, Mr. Fiske declined to bring any criminal charges against Mr. Stephanopoulos, Mr. Ickes and other White House aides about their discussions with senior Treasury officials about the Madison case. The Treasury officials had also served at the Resolution Trust Corporation, the savings bailout agency that has also been investigating Madison.

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