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FOR

ANN LEWIS

— ON BACKGROUND —

- Much of Gary Aldrich's book consists of regurgitated right wing innuendo -- the kind of rank and reckless charges that routinely appear on right wing internet home pages. With few exceptions, Aldrich does not claim to have first-hand knowledge of any of the matters he is writing about. These bizarre and slanderous stories have been fodder for the right wing conspiracy industry's attack machine for the last three years.
- Gary Aldrich's work has thus far appeared only on the conservative editorial page of the Wall Street Journal and in the form of a book published by a company committed to putting out right wing books. Regnery and the Journal's editorial page are notoriously anti-Clinton Administration. Because of Regnery and the Journal editorial pages well-known viewpoints, these attacks are almost never covered as "news" by other journalists.
- Regnery Press, the company which published the Gary Aldrich book, is a conservative publisher of right wing screeds. Works published by Regnery include: NRA president Wayne Lapiere's tome espousing extremist views on gun control; the American Spectator's editor Emmitt Tyrell's biography on Bill Clinton; and Stacey Koon's book justifying his actions in the beating of Rodney King.
- The owner of Regnery Press is Tom Phillips who was described by the Washington Times as "an influential force in modern conservatism."
- Gary Aldrich is being represented by the self-avowed conservative Southeastern Legal Foundation. The foundation receives hundreds of thousands of dollars in funding from right wing conservative recluse Richard Mellon Scaife. Scaife, a major benefactor of the right wing conspiracy industry, contributes millions of dollars to a long list of extremist organizations dedicated to tearing down the Clinton Administration. The Southeastern Legal Foundation is closely linked to Newt Gingrich and GOPAC. Gingrich has appeared at a fundraiser for the organization, and a number of GOPAC's prominent members serve on the board of the foundation.
- According to reports, some of Gary Aldrich's publicity is being handled by extreme right wingers Greg Mueller and Craig Shirley -- two conservative political operatives who were previously involved at one level or another with the Willie Horton negative attack ad. Shirley previously served as the publicist for Paula Jones and worked alongside Floyd Brown to create the infamous Willie Horton negative attack ad. Currently, he is an advisor for Bob Dole's Presidential

campaign. Mueller is Pat Buchanan's press secretary. His clients have also included Rush Limbaugh, Oliver North and Americans for Bush, the group responsible for the Willie Horton ad.

Fyl. May 1996

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TO: Maggie Williams

FIRM OR COMPANY: The White House

TELECOPY NUMBER: 202-456-~~4444~~ 6244

FROM: David E. Kendall, Esquire

TELEPHONE: 202-434-5145

DATE: 6-26-96

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June 25, 1996

NOT FOR PUBLICATIONBY FAX AND FIRST CLASS MAILMr. W. Thomas Johnson, Jr.
President, Cable News Network
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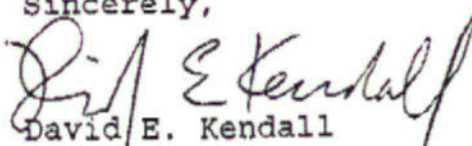
Dear Mr. Johnson:

I represent Mrs. Hillary Rodham Clinton with regard to "Whitewater" matters. Yesterday, on CNN's morning business program, one Steve Bell declared that Mrs. Clinton was in serious jeopardy of an indictment for obstruction of justice with regard to "the Whitewater affair."

I recognize that CNN has an obligation to telecast what it determines to be news, and I believe that CNN is usually fair and accurate in its reporting. Viewers have a right to expect, however, that "news" will be distinguished from "opinion," that rumors will be designated as such (although I recognize that they occasionally may rise to the level of newsworthiness), and that any apparent bias of a commentator will be identified. The Bell interview violates all these expectations. Mr. Bell's partisan credentials (as a former Domenici staffer) were not identified, he repeated a baseless rumor as though it were fact, and his own basis for the assertion was neither probed nor examined. The unskeptical presentation of partisan rumor as neutral fact disservices your viewers and is inconsistent with CNN's general standards of coverage.

I am designating this letter as "not for publication" because I have no wish to fuel a baseless controversy.

Sincerely,


David E. Kendallcc: Mr. Lou Dobbs
DEK/bb

1ST STORY of Level 1 printed in FULL format.

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CNN

SHOW: NEWS 6:38 am ET

June 24, 1996 09:00 Eastern Time

Transcript # 1378-5

SHOW-TYPE: Interview

SECTION: Election; News

LENGTH: 1104 words

HEADLINE: Analyst Says Filegate Could Be Repeat of Watergate

BYLINE: DEBORAH MARCHINI

HIGHLIGHT: Calling Filegate a "golden opportunity" for Bob Dole, Washington-watcher Steve Bell says the GOP presidential candidate is playing it "just right" by not harping on the scandal.

BODY:

STUART VARNEY, Anchor: Elsewhere now, Vice President Al Gore says the White House will enact a new policy to prevent any president from having easy access to confidential FBI files.

DEBORAH MARCHINI, Anchor: The Clinton administration has come under sharp criticism in the past week after it was discovered a White House political operative had, in fact, obtained 1,000 confidential FBI files on Republicans. In an interview with CNN's Late Edition from his farm in Carthage, Tennessee, Gore defended the White House's handling of the files.

Vice Pres. AL GORE: The president and all of us in the White House have said what happened here was wrong, and steps were immediately taken when we found out about it to ensure that this kind of thing can never happen again. The president apologized to the American people for what did take place, and the investigation is now underway, and there will be a full and thorough and fair independent investigation, and we will find out exactly what happened.

STUART VARNEY: Well, now the big question is just how big a deal Bob Dole will make of the FBI files matter in his campaign against Mr. Clinton.

DEBORAH MARCHINI: Joining us to discuss what some people are now calling Filegate is our regular Monday visitor, Steve Bell of the Steve Bell Group, and he is here this morning with us in New York, as opposed to Washington, from which he usually visits us.

Steve, good to have you here this morning.

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STEVE BELL, Chairman, The Steve Bell Group: Glad to be here.

DEBORAH MARCHINI, Correspondent: First question-- a political one. Is Bob Dole-- whatever the truth is about Filegate, is Bob Dole making maximum use of it, from a political standpoint?

STEVE BELL: I think so. I think right now Dole mentions it but doesn't harp on it, and I think that's important.

DEBORAH MARCHINI: Why is that good?

STEVE BELL: Because you've got a lot of work being done by the House and Senate panels investigating it. The news media are on it very strongly, and I think what Dole has here is a golden opportunity to let things just kind of take their natural flow, and he doesn't have to be looking like a stern person or a prosecutor. He can say, 'Hey, this stuff is coming out of the White House bit by bit, unfortunately of their own volition.'

STUART VARNEY: During Watergate, the use of government agents [unintelligible] Mr. Nixon's enemies list. Well, that was vigorously pursued in the media. Why-- We now have 400, 1,000 files at the White House of sometimes prominent Republicans, but I don't see banner headlines. Do you think that the media is treating this-- this president the same way it would treat a Republican president?

STEVE BELL: Well, I think it is, to some extent. I would agree with you that basically, if this were George Bush's White House, this thing would be five-- five columns big every day in The New York Times or at least on every television program. But--

STUART VARNEY: It's not on the front page of The New York Times today. There's no mention of it.

STEVE BELL: No, but I will tell you that, at some point, if you talk to the news media, news people down in Washington like I do a fair amount, they think this stinks to high heaven. You saw poor Al Gore drug out from his farm to have to take the hit-- that's why they have vice presidents. I guess-- and saw him say, 'Oh, we've done good here.' Nobody in his right mind thinks they have done good or even halfway well. And if you take a look at the similarities between Watergate-- the way it was handled-- and now Whitewater, Filegate, whatever you want to call this whole series of messes, it is stunning. Too many lawyers, too many changes of stories, and I expect the president or vice president to say at some point now, 'No more bombshells,' as Mr. Nixon did about a week before his last bombshell.

STUART VARNEY: I have to ask you, Steve. Is an indictment of the first lady on grounds of obstruction of justice now likely?

STEVE BELL: I don't know if it's likely, because that's all up to Ken Starr. But, certainly the consensus in Washington among-- the background consensus is yes, she is in serious jeopardy of an indictment over the Whitewater affair. Also, you're going to have some real serious questions raised after this next trial is completed, the Perry, Arkansas bank trial that Starr, the special prosecutor, is undergoing right now. If you take a look at several people from

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the White House being indicted, an unindicted co-conspirator-- You remember the most famous unindicted co-conspirator in American history, Richard Milhouse Nixon, and now we have Bruce Lindsay.

DEBORAH MARCHINI: That's right. That being the case, this could be big political trouble for the administration right up before the election.

STEVE BELL: It is, and here is the irony. Remember that Watergate broke in the summer of 1972. President Nixon went on to a smashing re-election. It was basically called by Republicans nothing but a media hysteria. It was all nothing.

DEBORAH MARCHINI: Do you think we could be looking at a repeat of that?

STUART VARNEY: Is this really that bad?

STEVE BELL: I think when you get FBI files illegally-- when people who are not authorized take a look at them-- This has not happened since Watergate. When you have the FBI director saying, 'Hey, this was not on my watch.' When you have the Secret Service saying, 'This was not on our watch. You couldn't get that information from us.'

DEBORAH MARCHINI: Yeah.

STEVE BELL: You've got a serious problem. Career professionals are now starting to say, 'We're not going to take the hit for you guys anymore.'

DEBORAH MARCHINI: Question, though, really briefly, before we go. Do you see a possible parallel of Clinton being re-elected and perhaps being called upon to resign?

STEVE BELL: I don't know about resign, but I think, if he gets re-elected, right after that he'll have serious, serious political problems as this continues to--

DEBORAH MARCHINI: And legal problems, it sounds like, at least his family.

STEVE BELL: And those are there now.

STUART VARNEY: Steve Bell, always a pleasure. Thanks for being with us this Monday. Thank you, Steve.

STEVE BELL: Thanks for having me.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE: June 24, 1996

STATEMENT OF FIRST LADY HILLARY RODHAM CLINTON
JUNE 24, 1996

On Sunday, June 23, The Washington Post ran a front page excerpt from Bob Woodward's latest book, The Choice, which recounts meetings I had with Jean Houston and Mary Catherine Bateson and suggests that Ms. Houston is my "spiritual adviser." While I have had a number of conversation with Jean Houston, it is simply not true that she is my spiritual adviser.

For more than three, I have met with a wide range of contemporary thinkers, including Roman Catholic cardinals, bishops, nuns and priests; Protestant clergy and lay leaders; Jewish rabbis; Muslim clerics; theologians, ethicists and religious activists; historians, political scientists, sociologists and anthropologists; professional communicators, management consultants and motivational speakers; business and labor leaders, writers, artists, poets and entertainers, and many other Americans from all walks of life who have interesting ideas or insights into what's happening in our country today.

Mary Catherine Bateson and Jean Houston are two of many people who have been generous in sharing their ideas with me. Mary Catherine Bateson, the daughter of anthropologists Margaret Mead and Gregory Bateson, is herself a distinguished field anthropologist and author of a now classic book on women's lives, Composing a Life. Jean Houston, who has published more than a dozen books, has served as a consultant to companies such as Xerox and IBM, as well as worked with the international children's organization, UNICEF.

Both women were helpful to me in discussing their work in foreign cultures as I prepared for a trip to South Asia in the spring of 1995. They were also helpful when I returned from South Asia and was facing the task of writing my book about the challenges of raising children in the modern world. One of the many meetings I held at the time about the themes of my book included Jean Houston and Mary Catherine Bateson.

During the hours of free-wheeling discussion, Jean Houston suggested that I imagine a conversation with Eleanor Roosevelt, who grappled with the difficult social issues of her day. This was an interesting intellectual exercise to help spark my own thoughts; it was a brainstorming session for my book -- not a spiritual event. In fact, in previous public speeches, I had used the device of an imaginary conversation with Mrs. Roosevelt as a way of discussing what Mrs. Roosevelt would think about the problems of contemporary society and how she would approach her role as First Lady.

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page 2 of 2

Statement by the First Lady

Imagine my surprise when what I have been doing since 1993 in front of large audiences was now being reported as a sensational revelation.

The bottom line is: I have no spiritual advisers or any other alternative to my deeply held Methodist faith and traditions upon which I have relied since childhood.

And I do wonder what Eleanor Roosevelt might think of all this.

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For further information, contact Lisa Caputo at 202-757-5000.

as one of the heroes of the Gulf War he was a symbol of internationalism. McCurry argued that if Powell was in the Republican race it would be difficult for Republicans to run on race-baiting, racial quotas, immigration and isolationism.

"Who knows what it means anyhow?" Clinton said that day, shrugging his shoulders. He wanted to find some way to use Powell to improve race relations and wondered about setting up a commission or task force that would include Powell.

In the following days and weeks, as various people offered their postmortems, analysis and speculation, Powell realized he would not be totally free. He had entered into a political mythology of sorts, if only a minor chapter. And political myth has a staying power and a curiosity. His refusal seemed contrary to the great American drive. Was it plausible that someone would say no to such potential power for the stated reasons? "I just told it the way it was," Powell said afterwards. "People are rooting around trying to find some smoking gun. There isn't any. People will root around. No. You heard it."

"I've been as honest as I can on this. And people will always want to look for more, and they're welcome to do so, but you heard it."

Later, Powell filmed a public service announcement for the United Negro College Fund as part of his new private life and continued to give speeches around the country. Hundreds of letters were coming into the office each day. He and Smullen threw themselves at the mail as the new project. They doubled the size of the office. Powell was trying to answer the mail very carefully. Maybe it wasn't that important, but he felt some deep connection with these people. The mail was there, and it was something to do.

"It was never a yes," he said. "And everybody thinks that I was in a binary situation where I had to bawl my brains out or go into politics, and I never saw it that way."

Even before he decided, Powell had taken to introducing Alma only half-jokingly as "Mrs. Sherman," alluding to William Tecumseh Sherman, the Civil War hero who emphatically refused to run for president with the famous statement, "I will not accept if nominated and will not serve if elected."

Now, as a full private citizen, Powell was reading the letters of General Sherman and found them relevant. He was astonished that the profes-

sional encouragers and supporters had badgered Sherman for nearly 20 years after the Civil War. Did it never stop?

He read Sherman's May 28, 1884, letter to a friend carefully. "My career has been all my family and friends could ask," Sherman had written. "We are now in a good house of our own choice."

"Military men have an absolute right to rest and to demand that the men who have been schooled in the arts and practice of peace shall now do their work equally well."

"I have my personal affairs in a state of absolute safety and comfort. I owe no man a cent, have no expensive habits, envy no man his wealth or power." Sherman said he would "account myself a fool, a madman, an ass, to embark anew, at sixty-five years of age, in a career that may become at any moment tempest-tossed by perfidy, the defalcation, the dishonesty or neglect of any single one of a hundred thousand subordinates utterly unknown to the President of the United States."

"The civilians of the United States should and must buffet with this thankless office, and leave us old soldiers to enjoy the peace we fought for, and think we earned."

Powell was amazed. Sherman had covered every point. It was a perfect way to say what Powell had been feeling: Leave me alone. "My God," Powell thought, "I'm a reincarnation."

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TALKING IT OVER

BY HILLARY RODHAM CLINTON

FOR IMMEDIATE RELEASE

An extraordinary woman is coming to the White House next week: Mary Robinson, the President of Ireland. She is also a mother, a human rights lawyer, a law professor, a force for reconciliation between Protestants and Catholics, and a voice for women all over the world.

I met President Robinson last year when Bill and I were in Dublin. I admire her efforts to legalize contraception and to help women win the right to sit on juries when she was a young legislator in the Irish Senate. In outlining her philosophy, she has quoted the early feminist writer Mary Wollstonecraft, who said 200 years ago: "I do not wish women to have power over men but over themselves."

President Robinson's message about women's empowerment echoes the thoughts and words of many other women I have spoken with around the world during the past three and a half years.

Whether they are scholars, poets, historians, journalists, political activists or stay-at-home mothers, women have much to teach each other about the choices and challenges we face as we try to lead integrated lives.

As the writer Deborah Tannen has pointed out in her books about communication and gender, women need to talk, and often they need to talk to each other. It is that need for conversation and direct communication that distinguishes most women from most men.

As women, talking can be our greatest friend. That's why I'm so excited that President Robinson will be in the United States, spreading her message of humanity and opportunity for the people of Ireland and for women everywhere.

It's also why I feel so fortunate to have had face-to-face discussions about women's lives with everyone from the Prime Minister of Norway, to the Empress of Japan, to a destitute mother of 10 children in a dusty village in rural Pakistan.

When the best-selling author Mary Pipher visited me recently at the White House, we talked about our lives and the pressures confronting teen-age girls today.

The poet Maya Angelou teaches me about literature and life, particularly from the perspective of an African-American woman who grew up in Arkansas and is now a citizen of the world.

TALKING IT OVER 6/4/96

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Rose Styron, the writer and human rights activist, always provokes my thinking about the obligations we owe to men and women whose names are unknown, yet who are suffering for the cause of freedom and democracy.

Historians Doris Kearns Goodwin and Blanche Wiesen Cook both have shared their thoughts about Eleanor Roosevelt, someone I wish I could have talked to in person about the role of First Lady. In fact, I occasionally have imaginary conversations with Mrs. Roosevelt to try to figure out what she would do in my shoes. She usually responds by telling me to buck up or at least to grow skin as thick as a rhinoceros.

Mary Catherine Bateson, an anthropologist and the daughter of Margaret Mead, has written many books, including one called "Composing a Life." She and I have spent hours discussing the ways in which women in different societies attempt to fulfill their responsibilities to their families, jobs and communities.

Jean Houston, an expert on philosophy and mythology, has shared her views with me on everything from the ancient Greeks to the lives of women and children in Bangladesh.

I've even had the pleasure of sitting across the dinner table from Ann Landers, asking advice on matters both trivial and not-so-trivial.

But of all the women I've had the chance to meet, I've probably learned the most from those you've never heard of -- women who have never written a book, appeared on television or been the subject of a newspaper article. From a poor barrio in Managua, Nicaragua, to a grassy field in Indonesia, I've met women who find comfort and unity in telling each other about their children, jobs, families, health, education and all the issues that touch their lives.

I don't always agree with what I hear. What's important is to have the chance to listen to women whose perspectives and ideas may differ from my own so that I can broaden my understanding of women's lives and roles today.

Whoever is doing the talking, the stories we share contribute to our history as women and our understanding of our own time.

I hope we will all make time to talk things over with each other.

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June 4, 1996

THE WHITE HOUSE

Office of the Press Secretary
(Nashville, Tennessee)

For Immediate Release

June 24, 1996

REMARKS BY THE FIRST LADY
AT FAMILY UNION V WELCOMING FORUM

Tennessee Performing Arts Center
Nashville, Tennessee

MRS. CLINTON: Thank you very much. I am delighted to be here and regretful that I will not be able to enjoy the entire conference. I want to thank the Vice President and Tipper for the work that they have done that has made this conference such an important part of what is happening in our country about our families. Their example, as well as their efforts to help families really inspires so many of us. And this conference is a terrific way of bringing together people to talk about what is really most important in our lives.

Shortly before I arrived I had one of my conversations with Mrs. Roosevelt, and she thinks this is a terrific idea as well. (Laughter and applause.) Because, you know, we've been worrying about families and children for a very long time in America. (Laughter.) But it wasn't until the Gores came up with the family conference that we figured out a way how to focus on family life that would bring people together to help solve the problems that all of us talk about privately.

I cannot count how many times I've had conversations about family and work, or the media, or the role of fathers and mothers. But now those private conversations are being made public, and we are all the better for it.

If one looks at what this conference has already accomplished, it's quite an impressive list, as Dr. Erickson has reminded us. We have seen innovations like new state initiatives that approach families as whole systems. We've seen the fatherhood initiative, Fathernet, and the mentoring program known as Father To Father. And during the past 12 months we've had really substantive discussions about the mass media's influence in our children's lives, something Tipper Gore has been talking about for years. And we've taken a big step forward with the V chip and the promise of a voluntary rating system.

Now, today, the conference discussion turns to work and family, a subject about which every parent -- and I would expect, every child in America, too -- can claim expertise. None of us, whether we are fathers or mothers or children, whether we work in or out of the home, is immune to the stresses and anxieties that come from trying to support our families financially and emotionally, raise happy and secure children, and enjoy productive and satisfying work lives.

I have worried about this issue, as the Vice President has said, ever since I knew that I would be a mother. And it struck me then as it strikes me now that so much of what we should be doing is common sense, but we can't act on that until we have a consensus in the country.

Some years ago I had the privilege of chairing a committee by the American Bar Association in its Commission on Women. We looked at family problems, the conflicts between work and family in the legal profession. I have to admit that when I was first asked to chair the commission, although I had my own child and I was worried myself, I wasn't sure what I would find. I assumed that in the years since I had started practicing law that many of the problems were being solved and that people were accommodating.

Yet I saw firsthand and heard testimony from legal secretaries and lawyers and others involved in that profession about how difficult it really was. And with increasing financial pressures on two-parent families and the extraordinary stresses on single-parent families, what a difficult balancing act so many mothers and fathers were attempting to do.

I'm even more concerned today because, as I travel around the country I hear stories from so many people and I know that for many of us, trying to figure out how we make sense of these stresses is not just a personal quest. We are attempting to bring our concerns into the workplace as well.

For those of us who grew up in the 1950s -- and Secretary Reich and I were talking earlier because today is his 50th birthday and we remember -- (applause) -- how life, whether it was or not, seemed somewhat simpler in those days. I thought about that when I wrote a column for Father's Day about my own father. And one of the things I said was that he could not have explained what quality time was, but he was always there. He was there for me and my brothers at meals, on weekends, during holidays. The routine of our life was set. He as the fixture around which the decisions and the timing revolved.

Certainly history and circumstance helped, because when I was growing up, fathers like mine had more set lives and, it seemed, had more time. The pace of life was not so hectic.

said.

REUTER

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THE WHITE HOUSE

WASHINGTON

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For further information, contact Lisa Caputo at 202-757-5000.

STATEMENT OF FIRST LADY HILLARY RODHAM CLINTON
JUNE 24, 1996

On Sunday, June 23, The Washington Post ran a front page excerpt from Bob Woodward's latest book, The Choice, which recounts meetings I had with Jean Houston and Mary Catherine Bateson and suggests that Ms. Houston is my "spiritual adviser." While I have had a number of conversations with Jean Houston, it is simply not true that she is my spiritual adviser.

For more than three years have met with a wide range of contemporary thinkers, including Roman Catholic cardinals, bishops, nuns and priests; Protestant clergy and lay leaders; Jewish rabbis; Muslim clerics; theologians, ethicists and religious activists; historians, political scientists, sociologists and anthropologists; professional communicators, management consultants and motivational speakers; business and labor leaders, writers, artists, poets and entertainers, and many other Americans from all walks of life who have interesting ideas or insights into what's happening in our country today.

Mary Catherine Bateson and Jean Houston are two of many people who have been generous in sharing their ideas with me. Mary Catherine Bateson, the daughter of anthropologists Margaret Mead and Gregory Bateson, is herself a distinguished field anthropologist and author of a now classic book on women's lives, Composing a Life. Jean Houston, who has published more than a dozen books, has served as a consultant to major corporations, as well as worked with the international children's organization, UNICEF.

Both women were helpful to me in discussing their work in foreign cultures as I prepared for a trip to South Asia in the spring of 1995. They were also helpful when I returned from South Asia and was facing the task of writing my book about the challenges of raising children in the modern world. One of the many meetings I held at the time about the themes of my book included Jean Houston and Mary Catherine Bateson.

During the hours of free-wheeling discussion, Jean Houston suggested that I imagine a conversation with Eleanor Roosevelt, who grappled with the difficult social issues of her day. This was an interesting intellectual exercise to help spark my own thoughts; it was a brainstorming session for my book -- not a spiritual event. In fact, in previous public speeches, I had used the device of an imaginary conversation with Mrs. Roosevelt as a way of discussing what Mrs. Roosevelt would think about the problems of contemporary society and how she would approach her role as First Lady.

-more-

page 2 of 2
Statement by the First Lady

Imagine my surprise when what I have been doing since 1993 in front of large audiences was now being reported as a sensational revelation.

The bottom line is: I have no spiritual advisers or any other alternative to my deeply held Methodist faith and traditions upon which I have relied since childhood.

And I do wonder what Eleanor Roosevelt might think of all this.

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For further information, contact Lisa Caputo at 202-757-5000.

To: Neil

Fr. Lisa

Please give
copy to McCurry

THE WHITE HOUSE
WASHINGTON

January 20, 1995

BCC. maggy
Lisa
Melanne
Jissa

Mr. Edward Kosner
Editor-in-Chief
Esquire
250 W. 55th Street
New York, New York 10019

Dear Mr. Kosner:

You recently ran a story that I had met with Marianne Williamson implying she was my "spiritual advisor" or "guru". As with some press reports, it is factually true that I have met with Ms. Williamson, but the conclusion is untrue. Let me explain.

For nearly two years, I have met personally with a wide range of Americans including Roman Catholic cardinals, bishops, nuns and priests; Protestant clergy and lay leaders; Jewish rabbis; theologians, ethicists and religious activists; academicians (including historians, political scientists, sociologists, and anthropologists); professional communicators, management consultants and motivational speakers; business and labor leaders, writers, artists, poets and entertainment celebrities; and many other Americans from all walks of life who have interesting ideas or insights into what's happening in our country today.

I have shared many meals and cups of tea with these visitors; some have spent the night with us. I have enjoyed the chance to talk with stimulating people, many of whom care deeply about what the President is trying to accomplish for America; others are totally non-political, and some even oppose the Administration, but have points of view I want to hear.

So, have I met with Americans of every stripe, some of whom are controversial or "politically incorrect"? Yes, of course, I have. I find it interesting that very few of these visits have been publicized or viewed as significant unless those who oppose the President or his goals or my role think they can score points against us by using the old tactic of "guilt by association" or unless the visitor decides it will benefit him or her to be seen as associated with us in the public's eye. I have experienced both forms of publicity.

Marianne Williamson, for example, is a political supporter who has an intriguing view about popular culture today that she shared with me; she is neither my "guru" nor spiritual advisor.

Edward Kosner
January 20, 1995
Page Two

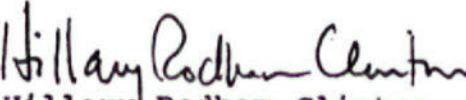
I believe those who publicized her visit want to marginalize my expression of faith as a Christian because they fear a view of Christian witness and obligation that differs from the religious right's could create political opposition to its agenda. Some visitors have exploited their time with me for their own purposes. The prime example of that is the magazine editor who paid a short courtesy call in my office and has promoted the perception that he is my "guru".

And what have I learned from all this? I suppose that no matter what I do -- or do not do -- I will be criticized and exploited by some. Yet, I will continue casting a wide net to meet with as many different Americans as I can; to listen hard and learn so I can grow and challenge myself, to understand better what's happening in our country and world and put that in an historical and social context so I can better explain the President's vision for our future.

Well, your report provoked a long answer with a simple bottom line: I have no "gurus", spiritual advisors or any other New Age alternative to my Methodist faith and traditions. But, I will continue eagerly to take advantage of this time in my life to meet with all sorts of folks and try to do the best I can to help the President and make my own contribution to our nation.

If you ever have any questions concerning me in the future, please feel free to call me or my press secretary, Lisa Caputo. And, if you could ever come to visit, I'd be glad to offer a cup of tea and some conversation.

Sincerely yours,


Hillary Rodham Clinton

Esquire

EDWARD KOSNER

EDITOR IN CHIEF

(212) 649-4270

January 25, 1995

Dear Mrs. Clinton:

Thank you for your letter about about Esquire's Reality Check item concerning you and Marianne Williamson. I can understand your concern that your relationship with Ms. Williamson and others may be misconstrued by the press, but I must point out that the characterizations "guru" and "spiritual advisor" are yours, not Esquire's.

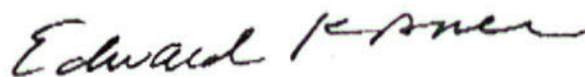
I think it's always of interest when the President or the First Lady consults with people identified with evangelical religion, personal or spiritual development, astrology or numerology and the like. Certainly the involvement of Presidents with Billy Graham and Mrs. Reagan's association with an astrologer were reported in the press, as is Speaker Gingrich's admiration for Arianna Stassinopolous Huffington, a keen follower of John-Roger. Similarly, President Clinton's meeting with Tony Robbins, who was profiled in Esquire last April, is legitimately of interest to the press.

That being said, I assure you that neither Esquire nor its editor seek to "marginalize" you or diminish you or President Clinton. Indeed, I was the editor of New York Magazine, when many people thought that our Joe Klein was leading the press campaign to make Governor Clinton the 1992 Democratic nominee.

Your letter (omitting the last paragraph) will appear in Esquire's April issue, out in mid-March.

I would be honored to visit with you whenever it's convenient.

Very truly yours,



Edward Kosner

Hillary Rodham Clinton
The White House
Washington, D.C. 20500

EK:fjk

Jeannette Walls

Reality Check

Gurus

The Politics of Really Deep Meaning

Nancy Reagan may have preferred astrology to set the nation's course, but Hillary Clinton is even more of a new-age kindergal. According to a Beltway source, the First Lady, a self-described "old-fashioned Methodist," has become tight with Marianne Williamson, the self-described "bliss for God." The two met at a fundraiser, says the source, and Williamson has told friends she has had frequent lunches with Hillary, dined at the White House, and spent the night in the Lincoln bedroom. "They stayed up late one night, and [Williamson] was doing her rap about healing America," says the source. "Hillary was really interested in what she had to say. They've stayed in touch." The source adds that Williamson even worked on a speech for Bill Clinton, although the First Lady's office could not confirm this. Probably not having their tarot cards read.

Whither America?

Surprise

Bark Once for Guilty

THERE'S ONE witness in the O. J. Simpson case who carries even less weight than that famed bell-ringer Ray Beaudry. According to a source, concerned friends of Nicole Simpson's called in an animal psychic to question her beloved Kate—the Akita, not the Basset—who is believed to have witnessed the murders. Also, the

source reports, the animal psychic did not turn up any clues. When asked about the night of the murders, the psychic says the Akita replied, "The things I have witnessed are too horrible to discuss." Needless to say, the Akita could not be reached for comment. Obviously, he's willing to sell his story to the tabloids.

Foreign Affairs

Getting in Touch with Your Inner Spy

IF INTELLIGENCE agents seem a tad more open about their feelings these days, there may be a very good reason. Experts who study cults say that est—the quincecentennial 1960s self-improvement movement founded by Werner Erhard—has institutionalized itself into the former Soviet Union. And evidence indicates that Aldrich Ames, the CIA agent who was convicted of spying for Moscow for nine years, could very well be a member.

Ames's comments about why he committed treasonous acts echo the language and logic that pervade est and Life-spring training," says Kevin Garvey, a Connecticut-based cult deprogrammer who is among those who say Ames may in fact be an esty. "The concepts and reasoning repeatedly

resonate with Erhard's teaching. Garvey points out that the est force who has kept a f



Ames: CIA meets e-

low profile lately has been setting training centers in Russia. "We believe that est may have even infiltrated the CIA. At this point we don't have anything conclusive but it's something that a lot of us are watching very closely and the implication could be far-reaching. No kidding. So they might be R with the country.



AM-Mrs Clinton-Advisers, Bjt,930

First Lady Consulted Spiritual Adviser; ``Not Seances,' White House Says
With AM-Woodward Book-Highlights; also moving nationally

By SONYA ROSS= Associated Press Writer=

WASHINGTON (AP) Hillary Rodham Clinton consulted with a spiritual adviser who led her through imaginary conversations with her personal hero, Eleanor Roosevelt, according to a new book about the 1996 presidential campaign.

Mrs. Clinton's spokesman said Sunday there's ``nothing new'' about the consultations with author Jean Houston and an associate, Mary Catherine Bateson, that were described in ``The Choice,' a new book by Bob Woodward, an assistant managing editor at The Washington Post.

``These were people who were helping her laugh, helping her think,' said Neel Lattimore, the first lady's spokesman. ``These were not seances.''

The White House, hoping to minimize possible political damage like that done by word of Nancy Reagan's use of an astrologer, depicted the consultations as simple brainstorming sessions for Mrs. Clinton's book, ``It Takes a Village.''

``To describe it as a consultation with psychics is to try to put it in the wrong frame. We have to draw strength from wherever we can in order to make it from day to day,' White House Chief of Staff Leon Panetta said on CBS' ``Face the Nation.''

``She sat down with friends and advisers, talked through experiences, sought information, sought knowledge,' Panetta said. ``And I think that's human.''

In her syndicated column on June 4, the first lady listed Houston, co-director of the Foundation for Mind Research, as one of many women with whom she has consulted. She said Houston ``has shared her views with me on everything from the ancient Greeks to the lives of women and children in Bangladesh.''

She also said she has spent hours discussing the roles of women in society with Bateson, an anthropologist and daughter of famed anthropologist Margaret Mead, as well as others, such as poet Maya Angelou and historians Doris Kearns Goodwin and Blanche Wiesen Cook, who shared their thoughts on Mrs. Roosevelt.

Messages left for Houston and Bateson were not immediately returned.

``As women, talking can be our greatest friend,' Mrs. Clinton wrote. ``I don't always agree with what I hear. What's important is to have the chance to listen to women whose perspectives and ideas may differ from my own.''

Vice President Al Gore and his wife, Tipper, defended Mrs. Clinton, saying the first lady was within her right to consult with Houston.

``They have attacked her practice of law 15 years ago. Now they are going into the way she brainstormed to write her book,' the vice president said on CNN's ``Late Edition.''

Mrs. Gore, when asked by whether she felt the book's revelation about the sessions with Houston was ``a cheap shot,' she replied, ``Yeah, I do.''

``As her friend, I think with the enormous scrutiny that is on the first lady and the president just naturally, all of us should respect the right to privacy that they ought to have,' Mrs. Gore said.

Panetta encouraged people to read ``The Choice,' which was excerpted at length in Sunday editions of the Post and in the upcoming issue of Newsweek. The book, to be previewed in three more installments, also reports on Bob Dole and his wife Elizabeth and some of the inner workings of the presumptive Republican presidential nominee's campaign.

In a three-page passage, Woodward wrote that the first lady also communed with Indian leader Mahatma Gandhi during one meeting with Houston. But Mrs. Clinton declined Houston's suggestion that she address Jesus Christ because it would be ``too personal.''

The consultations with Houston and Bateson, Woodward wrote, came during the third year of Clinton's presidency, when Mrs. Clinton ``seemed jerked around by the muddled role of first lady, as she swung between New Age feminist and national housewife.''

Her ``sense of high purpose and doing good had been thwarted'' by the health care reform debacle, Woodward wrote, and she was ``reaching out and searching hard.''

Houston and Bateson followed up their initial weekend at Camp David with a series of letters and subsequent sessions at the White House. President Clinton was present at his wife's first session with Houston.

Houston believed in putting people into trances and has used hypnosis and, for a period in the 1960s, conducted experiments with LSD. ``But she tried to be careful with Hillary and the president, intentionally avoiding any of those techniques,''

 Woodward wrote.

He said one session occurred in a sun parlor atop the White House where Mrs. Clinton and several members of her staff were present, including one who tape recorded one of the first lady's ``conversations'' with Mrs. Roosevelt.

Most people in the White House did not know about the sessions, Woodward wrote, and some who did feared the sessions could ``trigger politically damaging comparisons to Nancy Reagan's use of astrology,''

 which had heavily influenced President Reagan's schedule.

``Astrology only changed timing and it was a kind of pseudoscience that could be fun or worth a laugh,''

 writes Woodward. ``Yet the Reagans had been ridiculed. Hillary's sessions with Houston reflected a serious inner turmoil that she had not resolved.''

The most recent session cited was March 21, 1996, in which Woodward reports that Houston told some jokes and stories in an effort to lift what seemed to be the first lady's sagging spirits.

**** filed by:APW-(ar) on 06/23/96 at 14:34EDT ****
**** printed by:WHPR(NLAT) on 06/23/96 at 14:42EDT ****

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

TO: All Parties

FR: Lisa Caputo

RE: General Response Regarding First Lady Portrayal in Bob Woodward's The Choice

o The First Lady meets with all kinds of people from all walks of life all the time.

o As she stated in her June 4, 1996 syndicated column "Talking It Over," "I don't always agree with what I hear. What's important is to have the chance to listen to women whose perspectives and ideas may differ from my own so that I can broaden my understanding of women's lives and roles today."

o What Mr. Woodward talks about in his book reflects a brainstorming session Mrs. Clinton, members of her staff, Jean Houston and Mary Catherine Bateson had to exchange ideas for Mrs. Clinton's book released earlier this year IT TAKES A VILLAGE.

BC-CLINTON-HILLARY (SCHEDULED)

First lady ``enjoyed'' talks with New Age adviser

By Steve Holland

WASHINGTON (Reuter) - Hillary Rodham Clinton enjoyed talking to a researcher in psychic experiences and altered consciousness to get ideas for a book and to cope with tough times, her spokesman said Sunday.

Washington was titillated when Sunday's Washington Post ran the first of four excerpts from ``The Choice,' ' a new book by Watergate reporter Bob Woodward, that said the president's wife found encouragement by talking to Jean Houston, co-director of the Foundation for Mind Research, which studies psychic experience and altered and expanded consciousness.

The book said Houston got Mrs. Clinton to hold an imaginary conversation with Eleanor Roosevelt, who died in 1962, during an April 1995 session in the White House solarium. Mrs. Clinton holds the wife of President Franklin Roosevelt dear as a first lady who was as controversial in her time as Mrs. Clinton is now.

Mrs. Clinton was also led into a conversation with the Indian leader Mohandas K. Gandhi, who died in 1948, but drew the line when asked to talk to Jesus Christ, the book said.

It said Houston, author of more than a dozen New Age self-help books, asked Mrs. Clinton to close her eyes, focus her thoughts on Mrs. Roosevelt and describe her own work on behalf of children.

After addressing Mrs. Roosevelt more personally on the difficult and ambiguous position of the first lady, Mrs. Clinton was encouraged to respond as if she were her predecessor.

``I was misunderstood, Hillary replied, her eyes still shut, speaking as Mrs. Roosevelt. You have to do what you think is right,' ' the book said.

The revelations take up only a few pages of the book, which is about the Republican presidential contest and the Clinton White House.

But they could lead to comparisons of Mrs. Clinton and Nancy Reagan, who consulted an astrologer and used the information she gained to schedule presidential trips and key events.

Mrs. Clinton's spokesman, Neel Lattimore, shrugged off the comparison, as well as any suggestion that the first lady had engaged in channeling, a technique in which someone supposedly becomes a conduit for a dead person, who provides information about one of the inquirer's previous lives.

``If you want to compare Mrs. Clinton to Nancy Reagan, the only person Mrs. Clinton's been channeling with was her TV, and I can assure you she was not tuned into the Psychic Friends Network,' ' he said.

He said the first lady, who is going on a 10-day goodwill tour of Eastern Europe July 1, found her conversations with Houston therapeutic because she is someone who ``makes you laugh and talk.' '

``This is not a mystic, this is not channeling. This is just her talking, especially at a time when she was working on her book, trying to get her head in shape and helping her get through some tough times,' ' Lattimore said.

Even more than her husband, Mrs. Clinton has been a lightning rod for White House critics, from her failed health care reform plan in 1994 to her involvement in the tangled financial Arkansas land deal known as Whitewater.

Lattimore described Mrs. Clinton's session with Houston as a brainstorming session for ``It Takes a Village,' ' the book about child-rearing that Mrs. Clinton wrote. He said it was one of dozens of meetings the first lady has had with a wide variety of women.

Vice President Al Gore and his wife, Tipper, came to Mrs. Clinton's defense in a CNN interview. Mrs. Gore, asked if she felt the book passage was a cheap shot, said, ``Yeah, I do,' ' and called it a violation of Mrs. Clinton's privacy.

Gore criticized the first lady's political opponents. ``They have attacked her practice of law 15 years ago. Now they're going into the way she brainstormed to write her book,' ' he said.

Her ``sense of high purpose and doing good had been thwarted'' by the health care reform debacle, Woodward wrote, and she was ``reaching out and searching hard.''

Houston and Bateson followed up their initial weekend at Camp David with a series of letters and subsequent sessions at the White House. President Clinton was present at his wife's first session with Houston.

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``To describe it as a consultation with psychics is to try to put it in the wrong frame. We have to draw strength from wherever we can in order to make it from day to day,' White House Chief of Staff Leon Panetta said on CBS' ``Face the Nation.''

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In her syndicated column on June 4, the first lady listed Houston, co-director of the Foundation for Mind Research, as one of many women with whom she has consulted. She said Houston ``has shared her views with me on everything from the ancient Greeks to the lives of women and children in Bangladesh.''

She also said she has spent hours discussing the roles of women in society with Bateson, an anthropologist and daughter of famed anthropologist Margaret Mead, as well as others, such as poet Maya Angelou and historians Doris Kearns Goodwin and Blanche Wiesen Cook, who shared their thoughts on Mrs. Roosevelt.

Messages left for Houston and Bateson were not immediately returned.

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Mrs. Gore, when asked by whether she felt the book's revelation about the sessions with Houston was ``a cheap shot,' she replied, ``Yeah, I do.''

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The consultations with Houston and Bateson, Woodward wrote, came during the third year of Clinton's presidency, when Mrs. Clinton ``seemed jerked around by the muddled role of first lady, as she swung between New Age feminist and national housewife.''

White House spokesman Mike McCurry said the book's passages about Mrs. Clinton ``describe a graceful first lady who enjoys listening to women with ideas and perspective that differ from her own.'' He called the book ``a combination of the accurate and the not-so-accurate.''

Woodward's book said that in October and November 1995, Houston virtually moved into the White House residence for several days at a time to help Mrs. Clinton with her book, which earlier this year was a No. 1 bestseller.

In her weekly syndicated column June 4, Mrs. Clinton wrote she occasionally has ``imaginary conversations with Mrs. Roosevelt to try to figure out what she would do in my shoes. She usually responds by telling me to buck up or at least to grow skin as thick as a rhinoceros.''

REUTER

**** filed by:RB--(--) on 06/23/96 at 14:52EDT ****

**** printed by:WHPR(NLAT) on 06/23/96 at 16:04EDT ****

TALKING IT OVER
BY HILLARY RODHAM CLINTON
FOR IMMEDIATE RELEASE

An extraordinary woman is coming to the White House next week: Mary Robinson, the President of Ireland. She is also a mother, a human rights lawyer, a law professor, a force for reconciliation between Protestants and Catholics, and a voice for women all over the world.

I met President Robinson last year when Bill and I were in Dublin. I admire her efforts to legalize contraception and to help women win the right to sit on juries when she was a young legislator in the Irish Senate. In outlining her philosophy, she has quoted the early feminist writer Mary Wollstonecraft, who said 200 years ago: "I do not wish women to have power over men but over themselves."

President Robinson's message about women's empowerment echoes the thoughts and words of many other women I have spoken with around the world during the past three and a half years.

Whether they are scholars, poets, historians, journalists, political activists or stay-at-home mothers, women have much to teach each other about the choices and challenges we face as we try to lead integrated lives.

As the writer Deborah Tannen has pointed out in her books about communication and gender, women need to talk, and often they need to talk to each other. It is that need for conversation and direct communication that distinguishes most women from most men.

As women, talking can be our greatest friend. That's why I'm so excited that President Robinson will be in the United States, spreading her message of humanity and opportunity for the people of Ireland and for women everywhere.

It's also why I feel so fortunate to have had face-to-face discussions about women's lives with everyone from the Prime Minister of Norway, to the Empress of Japan, to a destitute mother of 10 children in a dusty village in rural Pakistan.

When the best-selling author Mary Pipher visited me recently at the White House, we talked about our lives and the pressures confronting teen-age girls today.

The poet Maya Angelou teaches me about literature and life, particularly from the perspective of an African-American woman who grew up in Arkansas and is now a citizen of the world.

TALKING IT OVER 6/4/96

Page 2

Rose Styron, the writer and human rights activist, always provokes my thinking about the obligations we owe to men and women whose names are unknown, yet who are suffering for the cause of freedom and democracy.

Historians Doris Kearns Goodwin and Blanche Wiesen Cook both have shared their thoughts about Eleanor Roosevelt, someone I wish I could have talked to in person about the role of First Lady. In fact, I occasionally have imaginary conversations with Mrs. Roosevelt to try to figure out what she would do in my shoes. She usually responds by telling me to buck up or at least to grow skin as thick as a rhinoceros.

Mary Catherine Bateson, an anthropologist and the daughter of Margaret Mead, has written many books, including one called "Composing a Life." She and I have spent hours discussing the ways in which women in different societies attempt to fulfill their responsibilities to their families, jobs and communities.

Jean Houston, an expert on philosophy and mythology, has shared her views with me on everything from the ancient Greeks to the lives of women and children in Bangladesh.

I've even had the pleasure of sitting across the dinner table from Ann Landers, asking advice on matters both trivial and not-so-trivial.

But of all the women I've had the chance to meet, I've probably learned the most from those you've never heard of -- women who have never written a book, appeared on television or been the subject of a newspaper article. From a poor barrio in Managua, Nicaragua, to a grassy field in Indonesia, I've met women who find comfort and unity in telling each other about their children, jobs, families, health, education and all the issues that touch their lives.

I don't always agree with what I hear. What's important is to have the chance to listen to women whose perspectives and ideas may differ from my own so that I can broaden my understanding of women's lives and roles today.

Whoever is doing the talking, the stories we share contribute to our history as women and our understanding of our own time.

I hope we will all make time to talk things over with each other.

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June 4, 1996

Office of the Press Secretary

For Immediate Release

February 21, 1993

REMARKS BY HILLARY RODHAM CLINTON
AT FIRST LADIES OF SONG EVENT

New York City, New York

10:51 P.M. EST

MRS. CLINTON: Thank you so much, and thank everyone from Frankie and James Roosevelt and the extended Roosevelt family and -- Stone, and all of the first women of song and theater who were here tonight, for making us all feel so good about our country and about someone who, on a continuing basis, inspires us and prods us. Thanks also to the first ladies of New York City and New York, Matilda Cuomo and Joyce Dinkens who were here with us tonight, and all of us who try in whatever way we can to do what these days should be done.

As I was sitting here this evening I thought about all of the conversations that I have had and might have with Mrs. Roosevelt this year. (Laughter.) It's one of the saving graces that I have hung on to for dear life. (Laughter.) The early conversations were I'm sure not very satisfactory to her because, early on as the campaign would go and things would happen, I would shake my head and I would say, "Why me?" (Laughter.) And I wouldn't get any answer at all.

A little while later, after some more time had passed and I had read even more and more -- actually devoured more and more about Mrs. Roosevelt, I realized that that was not a question that she would ever give an answer to. One did what one was expected and did it in the best way possible.

So my conversations turned to really requests for information -- how did you put up with this? (Laughter.) How could you go on from day to day with all that would happen and the kind of attacks and criticism that would be hurled your way? Again, I have to confess, it was not a very satisfactory conversation, because as you can see by looking at this wonderful, wonderful monument that will be erected, she listened calmly and looked at me very serenely, in my mind, but didn't say very much.

And then one day I had a wonderful revelation. And that was when I learned that even before President Roosevelt was inaugurated, newspapers were editorializing against Mrs. Roosevelt. They were saying she should keep her opinions to herself, that her husband had been elected President and no one in America wanted to hear a thing that she had to say. Actually, one of the most incredible editorials to that effect happened right here in this city, if I recall.

And so it struck me that what was really happening to me wasn't anything very new at all. That it was an ongoing story of what happens often as we relive history because we failed to learn from it, and that what we all must do in the best way we can -- take those lessons to heart.

So I began having much better and more satisfactory conversations with Mrs. Roosevelt. (Laughter.) Because I began to talk with her about what she was really interested in and how she could help me. And now the conversations that I've had for the past

MORE

month have been especially gratifying to me. Because she has said on several occasions as I have shaken my head over some problem or another, or as I watch my husband work very hard on the economic plan or some other important issue -- she's probably shaking her head, I said in my mind, "I thought that would have been solved by now." (Laughter.) "Since it's not, then you are just going to have to get out there and do it and don't make any excuses about it."

So from my perspective, what Mrs. Roosevelt has done is what she is still doing -- she says far better than I what I feel. I was struck tonight that perhaps what I should do is just take all these wonderful quotes we heard, write them down on notecards, and when I'm ever asked a question, shuffle through them and just hand them over. (Applause.)

But mostly I'm grateful because you will have this monument. I will, I hope, someday have a small replica of it and will -- because I hope that's one of the things which come from this. -- that I can put on my desk or in the window of my study; and when I feel a little discouraged or a little down, think about this woman who, although born to privilege, did not have much of what I have taken for granted -- a warm and loving and supportive family, an education that went on beyond my 17th year, an opportunity to see many things and have many experiences. But I don't feel that I was as well prepared in many ways as she was, pursuing these responsibilities. And I only hope that as the years go by, my heart and my mind will expand and grow, so that some day I will feel worthy of being mentioned in the same sentence with her.

Thank you very much. (Applause.)

END

10:58 A.M. EST

least we had turned the gingerbread man around so that his golden rings didn't face the tour line. I came back later and took some pictures of the tree and "Mr. Gingerbread Man" with rings side out. I knew nobody would believe this without photographic proof.

While I was working on the tree, Craig Livingstone happened to stop by. He was surprised to see me placing ornaments on Hillary's tree, but I told him I was an old hand at this decorating business. Livingstone was leading Oliver Stone and Michael Douglas in a tour around the White House. Stone was making *Nixon*, and Douglas was making *An American President*. Stone looked stoned to me, as he gazed around, obviously thinking of this "shot" or that. I wasn't impressed. Still, this must have been a great moment for Livingstone, our White House security director, whose goal in life was to become a Hollywood producer.

But the cameras, surprisingly enough, soon fell not on Michael Douglas or on the dazed Oliver Stone or the photogenically challenged Craig Livingstone; they fell on me. I was interviewed by Martha Stewart, who was doing a Christmas special to be aired later on a major network morning show. She promised she would not blow my cover when she learned I was an FBI agent.

As she looked around the tree she made "hmmmm" sounds. If she didn't like the tree, she was very diplomatic about it. I wondered what she really thought. It seemed to me most people could have only one thought: "Throw a tarp over it!"

Aside from displaying sex toys and self-mutilation devices on the nation's Christmas tree, there was another "change" in the way the White House celebrated Christmas. Hillary decided to delete spouses from the invitation-only staff Christmas party. This caused a bit of a stir, not only because it broke with tradition, but because it raised a question I had heard several permanent staffers ask: "Why is Hillary so hostile to families?"

I think it's because they represent a sphere of loyalty outside her control. And Hillary likes to be in charge.

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HEADLINE Politics & Policy:

- * SEC Asked to Seek
Data on Fund Used
- * By Hillary Clinton

By Christi Harlan

Staff Reporter of The Wall Street Journal

LENGTH ESTIMATED INFORMATION UNITS: 4.4 WORDS: 418

DATE 02/01/94

SOURCE WALL STREET JOURNAL (J), PAGE A4

WASHINGTON -- Three House Republicans asked the Securities and

- * Exchange Commission for information about Hillary Rodham Clinton's holdings in an investment fund that sold short several healthcare stocks early last year.

Mrs. Clinton's holdings in ValuePartners I became public knowledge in May 1993 when she and President Clinton filed federal forms disclosing a variety of investments. Mrs. Clinton has been a limited partner since 1986 in ValuePartners I, a hedge fund managed by Smith Capital Management of Little Rock, Ark.

Hedge funds are among the most aggressive investment pools because they can buy stocks with borrowed money and can sell stocks short -- that is, borrow shares and sell them at current prices in anticipation of replacing them at lower prices. Health-care stocks were among the stocks sold short by ValuePartners I last year, when many health-care stocks were falling in value because of the uncertainty about the impending recommendations of the presidential task force on health-care reform, headed by Mrs. Clinton.

In a letter to SEC Chairman Arthur Levitt, Reps. Bob Lancaster of Louisiana, Christopher Cox of California and George Gekas of Pennsylvania asked for information about Smith Capital Management and trading in the hedge fund in the time between President Clinton's election and the transfer of the fund and other Clinton assets to a blind trust in July.

"Both the President and Mrs. Clinton would certainly be aware of the impact on the market of their statements about the Administration's health care proposals," the Republican representatives wrote to Mr. Levitt last week. "The ability of the President and Mrs. Clinton to affect prices in the securities markets is unique. The questions already raised publicly concerning their investments, particularly short sales, must be addressed."

SEC officials said they are reviewing the letter but wouldn't comment further.

Separately, Senate Banking Committee Chairman Donald Riegle again rejected Republican requests for a hearing on the Clintons' Arkansas real-estate investment. The Michigan Democrat said he wouldn't consider committee activity until special counsel Robert Fiske Jr. has completed his investigation of Madison Guaranty Savings & Loan and Whitewater Development Corp.

Sen. Alfonse D'Amato of New York and seven of his fellow Republicans on the Banking Committee have asked for hearings on the Clintons' investment in Whitewater with the former chairman of Madison Guaranty.

Corrections & Amplifications

REP. BOB LIVINGSTON of Louisiana is one of three Republicans seeking data from the Securities and Exchange Commission about
* Hillary Rodham Clinton's investments. An article yesterday incorrectly called him Bob Lancaster.
(WSJ Feb. 2, 1994)

HEADLINE Gergen, Beggars, Hillary, etc.

LENGTH ESTIMATED INFORMATION UNITS: 2.0 Words: 246

DATE 06/05/93

SOURCE THE DETROIT NEWS (DTNS)

Edition: NDOT

Section: C

Page: 12

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GERGEN COMES HOME: Those who worry that "Reaganite" David Gergen won't be able to function effectively in the Clinton White House might find consolation in the following quote from a 1981 profile of Mr. Gergen in the Washington Post: "I told him," Gergen recalls of his job interview with (Nixon aide Ray) Price, "Look, I'm a registered Democrat, and I didn't vote for Nixon in '68, I voted for Humphrey."

CHAIRMAN BOU-BOU: Two days after declaring an "unalterable commitment" to free speech, UN Secretary Gen. Boutros Boutros-Ghali posted guards at UN headquarters to bar a speech by Chinese dissident Shen Tong, a leader of the 1989 democracy movement. Mr. Tong was invited by the UN Correspondents Association, which has hosted a variety of opposition figures. The association has been ordered to clear "objectionable" speakers or face eviction.

BEGGARS WITH ATTITUDE: Beggars who want to work in our nation's capital had better be polite about it. The City Council has just passed an ordinance that allows "polite" begging but outlaws "aggressive" begging. The American Civil Liberties Union has promised _ what else? _ a lawsuit, charging the First Amendment protects the right to harass pedestrians.

- * **DON'T SELL HER SHORT:** Wondering what Hillary Clinton's health care plan is likely to mean for you and the economy? Well, she
- * isn't waiting to find out. Value Partners, the investment house that manages part of the First Lady's portfolio, has been selling short health care stocks since she became First Lady.

End of Story Reached

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The Houston Chronicle

March 18, 1994, Friday, 2 STAR Edition

SECTION: A; Opinion; Pg. 24

LENGTH: 890 words

HEADLINE: Clintons' critics might save them yet

BYLINE: PAUL GREENBERG

BODY:

THE long ranch-style structure set back from Hinson Road out in West Little Rock is the site of Smith Capital Management and a national story.

Inside is the office of Bill Smith, who runs his financial management service in part of the building and rents out the rest of his Pleasant Valley Office Center. The other day he found out just how high the Whitewater tide can rise, and who could wind up neck deep in it.

For years now Bill Smith has managed a stock fund, called ValuePartners, in which Hillary Rodham Clinton invested, and now 81 Republican congressmen have made some serious charges about her involvement in it. "We believe," the congressmen wrote the director of the Office of Government Ethics, "that Ms. Rodham Clinton's actions not only create the appearance of impropriety but may in fact violate the prohibitions of 18 USC Sec.208. "

"In 1986," the congressmen allege, "Ms. Rodham Clinton first acquired an interest in a nonpublic limited partnership called ValuePartners L." True enough.

"Some time during 1992," they add, "her investment in this partnership increased. " Not true enough. Possibly the congressmen, or whichever aides draw up these accusations, noted that Hillary Clinton's share of the fund went from about .93 to .97, and assumed she had invested more money. Actually, says Bill Smith, she hasn't touched her investment since 1986. Her share of the fund increased minutely, he explains, because other investors pulled out some capital.

"The personal investments of President and Mrs. Rodham Clinton were not placed into a blind trust until July 4, 1993.

Consequently, prior to that date Ms. Rodham Clinton received regular reports from Smith Capital. " True. "

including specifically a minimum of six reports in 1992 and the first half of 1993, detailing the short sale positions of ValuePartners I."

Not true, says Bill Smith. Because, he explains, once Bill Clinton began to rise in the presidential polls early in '92, probably around March of that year, he took the liberty of cutting off any reports about specific stocks to investors in ValuePartners I

A Reagan Republican who says he's never voted for a Democratic presidential candidate, Bill Smith was taking no chances with the Clintons. "'I think they've always been a bit careless about the appearance of conflicts of interest," he told me, "'and if you're involved with their assets, you have to be sensitive to the Clintons' position. "

In effect, Smith created a blind trust for the Clintons more than a year before they had the sense to do it for themselves. It occurs that if they had taken Smith to Washington instead of some of their buddies, Whitewater might still be only the name of a failed land development in the wilds of northern Arkansas, and not a cloud over the White House.

"'Ms. Rodham Clinton," the Republican congressmen assumed, "'was, therefore, actually and constructively in receipt of information showing she had a direct and personal financial interest in short sales of pharmaceutical and health-care stocks. " The congressmen assume too much. "'ValuePartners had no investments in pharmaceutical stocks during Mr. or Mrs. Clinton's late 1992 and 1993 speeches on the health-care system," says Bill Smith, displaying the fund's list of stock holdings as of Dec. 31, 1992. "'The last investment in pharmaceutical stocks was closed out in May of 1992, well before the election. "

As for the congressmen's charge that Hillary Clinton "'may have been in a position to influence these investments," Bill Smith points out that by law limited partners in such a fund may not influence its investment decisions or it would lose its favored tax status -- a chance he isn't about to take.

The congressmen charge that Hillary Clinton's attacks on the pharmaceutical firms slam-dunked their stock prices. True. "'At the time," they add, "'her personal investment in ValuePartners I, of which she had repeated notice, was intentionally structured to profit from price declines in pharmaceutical company stocks. " Not true, says Bill Smith: "'ValuePartners actually lost money on the crash in health-care stocks following Hillary Clinton's February 1993 speech. In fact, the partnership lost \$ 286,000, of which Mrs. Clinton's share was about \$ 2,800.

ValuePartners was long more in health-care stocks than short, and experienced one of the worst months in years as a result. "

The congressmen say Hillary Clinton "'personally profited as a result" of her speeches -- a charge that doesn't hold up on the slightest inspection.

Conclusion: By pouring Whitewater over everything in sight, the Clintons' most fervid critics may yet be able to give the presidential couple a way out of this jam. As if this administration's lapses were not serious enough, those who exaggerate them may succeed in transforming an ethically numb president into some kind of put-upon martyr.

The unholy glee that has engulfed the whole Wall Street Journal-American Spectator-Rush Limbaugh axis at Bill Clinton's troubles may yet allow the Comeback Kid to make a comeback. Their zeal is not becoming -- or effective. Or right. But some folks have a knack for snatching victory from the jaws of defeat.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

NOTES: Greenberg is a Pulitzer Prize-winning syndicated columnist and editorial page editor of the Little Rock, Ark., Democrat-Gazette.

LOAD-DATE-MDC: March 22, 1994

7TH STORY of Level 1 printed in FULL format.

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CNN

SHOW: NEWS 10:32 pm ET

March 14, 1994

Transcript # 658-7

TYPE: Package

SECTION: News; Domestic

LENGTH: 470 words

HEADLINE: Republicans Attack Hillary Clinton in Health Care Role

GUESTS: Rep. CHRISTOPHER COX, (R-CA.); BILL SMITH

BYLINE: BROOKS JACKSON

HIGHLIGHT:

Republicans say Hillary Rodham Clinton is violating ethics regulations in her role as health care reform overseer. They say her investments in health care stocks are of conflicting interest with her job.

BODY:

SUSAN ROOK, Anchor: Well, did Hillary Rodham Clinton violate federal ethics laws by investing money in health care stocks, or are those allegations just an example of partisan politics at its ugliest? CNN's Brooks Jackson gets to the bottom of these questions in today's Focal Point.

BROOKS JACKSON, Special Assignment Correspondent: Republicans are saying Hillary Rodham Clinton may have violated the federal ethics law when she criticized drug companies last year. Now, 81 House Republicans are saying Mrs. Clinton stood to profit from her official position as head of the health care task force, because she was a partner in a fund that sold medical stocks short. Short sellers profit when stock prices go down.

Rep. CHRISTOPHER COX, (R-CA.): It put Mrs. Clinton in a position of betting that these companies were going to fail at the very time that commentators tell us the result of her speeches and the president's speeches was to cause the share

price to decline.

JACKSON: But the manager of Mrs. Clinton's stock fund, who is also a Republican, says those Congressmen never talked to him.

BILL SMITH: These fellows have it all wrong, and they need to back off.

JACKSON: Well, what are the facts? Mrs. Clinton did have \$87,000 invested in one of Mr. Smith's partnerships, called Value Partners 1, and, during the 1992 campaign, that fund did sell short two pharmaceutical companies - Bristol-Meyers/Squibb and Merck - generating a small profit.

Mr. SMITH: Mrs. Clinton's percentage of that profit was, I mean the amount of the profit was \$25.

JACKSON: But that was well before the election, and Smith denies the fund has had any pharmaceutical investment since.

Mr. SMITH: We didn't own any and we haven't shorted any pharmaceutical stocks since early '92. *

JACKSON: After the inauguration, the fund did have a fraction of its money invested in other medical companies. Smith says those stocks lost money, but Republicans say technically, that doesn't matter.

Rep. COX: The law doesn't even care whether you make money or not. But what the law prevents is that you have a financial interest, and that you know you have one.

JACKSON: Mrs. Clinton's stock fund went into a blind trust last July, ending any potential conflict of interest.

Even the Clinton's friends wonder why they failed to set up a blind trust before taking office, as every other president since Jimmy Carter has done. The Clinton's delay left them open to this latest attack. Brooks Jackson, CNN Special Assignment.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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The Washington Times

March 24, 1994, Thursday, Final Edition

SECTION: Part A; COMMENTARY; EDITORIALS; OP-ED; Pg. A19

LENGTH: 1028 words

HEADLINE: What did Mrs. Clinton invest and when did she do it?

BODY:

Recently, Hillary Rodham Clinton's investment in a Little Rock "hedge fund" has gained national attention. Understanding why requires an appreciation of the Ethics in Government Act, which regulates conflicts of interest in the federal executive branch.

Under the act, it is a criminal offense for any federal employee to knowingly maintain a financial interest in any specific area in which he or she is "personally and substantially" involved. Since Ms. Rodham Clinton was clearly so involved in health care as chairman of the president's Health Care Task Force, and since in that capacity she has been adjudged a federal employee (unlike other first ladies) by a federal court, there remains only one serious question on her compliance with the Ethics in Government Act. Did she know her money was invested in a partnership that was short selling health care and pharmaceutical stocks?

The very limited financial disclosures by the Clintons thus far suggest, tentatively, that the answer may be yes.

Despite the protestations of the partnership's Little Rock manager, Bill Smith, those disclosures show that Ms. Rodham Clinton almost certainly knew not only that nearly \$100,000 of her money was invested in ValuePartners I, but also that the partnership took short positions in certain health care stocks.

For this reason, 81 Republican members of Congress have asked the Office of Government Ethics to investigate the complete facts. The request did not allege wrongdoing by Mr. Smith, or by ValuePartners I. Nonetheless, Mr. Smith has risen to the Clinton's defense, and in so doing has misrepresented several key facts.

In an interview with the Arkansas Democrat-Gazette's Paul Greenberg, Mr. Smith noted that the Clintons have "always been a bit careless about the

appearance of conflicts of interest." That much is certainly true. Unlike Presidents Reagan and Bush, who put their personal investments in a blind trust before taking office, the Clintons couldn't let go of their money. They didn't set up a blind trust until half a year into the Clinton presidency.

This, of course, put Hillary Rodham Clinton in a position to know where her investments were. Not so, Mr. Smith told the Democrat-Gazette: He stopped reporting to the Clintons about specific stocks in March 1992.

That is demonstrably false. A Dec. 31, 1992 report from Smith Capital is attached to President Clinton's financial disclosure report of May 14, 1993. It lists that day's short positions. They include Bioplasty, a surgical device manufacturer; Cryomedical Sciences, a cryogenic surgical instrument provider; Health Professionals, a health-care service company; and Royce Labs, a generic drug manufacturer.

And while selling short these health care issues creates the most serious appearance problem, the same report to the Clintons from Smith Capital also shows that ValuePartners took long positions in Grancare, a long-term health care company; Health Care and Retirement, also a long-term health care provider; Lincare, a specialist in respiratory therapy services; and United Health Care, which runs HMOs and preferred provider plans.

It is not just on this point that Mr. Smith misspoke. He also told the Democrat-Gazette that the partnership's "last investment in pharmaceutical stocks was closed out in May 1992."

This, too, is easily proven false. According to the May 14, 1993 disclosure statement personally signed by Bill Clinton, in December 1992 ValuePartners was short Royce Laboratories, a manufacturer of generic drugs. And according to the May 21, 1993 Wall Street Journal, Mr. Smith acknowledged that "one of the stocks shorted this year [1993] was Synergine, Inc., a biotechnology company whose shares plunged 68 percent in value after the company announced poor results for a major trial of its key drug."

Finally, Mr. Smith claims that none of this matters anyway, because February 1993, when the partnership actually lost money on its health care hedges, was "one of the [partnership's] worst months in years." But whether Ms. Rodham Clinton lost money in a particular month is irrelevant, since her investment covered all of 1992 and half of 1993. According to the Clintons' May 14, 1993 financial disclosure, she also profited at other times, and specifically from short sales. Neither Mr. Smith nor Ms. Rodham Clinton has been sufficiently forthcoming to provide information about short sales (and profit or loss therefrom) for the entire period, which is one of the chief reasons an investigation is necessary.

More to the point, the congressional request for an investigation accurately noted that ValuePartners I "was intentionally structured to profit from price declines of pharmaceutical stocks." Whether it succeeded in doing so is of no moment under Ethics in Government Act. The law punishes anyone who knowingly has a "financial interest" in the area of his or her particular responsibility. It is being in a position where one has the opportunity to profit that constitutes the criminal offense.

Surely, ValuePartners I intended to profit by virtue of its short sales of health care and pharmaceutical stocks. If Ms. Rodham Clinton knew of these investments, she is properly the subject of the law. Were it otherwise, the criminal law would not punish attempted murders - only successful ones.

Compliance with the Ethics in Government Act isn't easy. It requires great sacrifice by the men and women who serve in the executive branch - just ask any cabinet secretary who's had to liquidate personal investments at a loss. The Clintons' apparent unwillingness to make the same sacrifice as every other senior federal employee can only undermine public confidence in our ethics laws. At the very least, they now owe it to the American people to accept the consequences of their failure to divest.

Christopher Cox, a member of the House Government Operations Committee, served in the White House Counsel's office during the Reagan administration.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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The Plain Dealer

March 22, 1994 Tuesday, FINAL / ALL

SECTION: EDITORIALS & FORUM; Pg. 7B

LENGTH: 857 words

HEADLINE: CLINTONS MAKE THEMSELVES LOOK GOOFY

BYLINE: By TONY SNOW

DATELINE: WASHINGTON

BODY:

Democrats and Republicans disagree about virtually everything when it comes to Whitewatergate, except for this: Bill and Hillary Rodham Clinton have created trouble for themselves with some inexplicably dumb behavior.

One failure leaves politicians especially aghast. The Clintons, unlike every presidential couple in decades, didn't put their assets in a blind trust before checking into 1600 Pennsylvania Ave. They maintained undiluted control over their stocks, bonds and sundries until last July 23.

This departure from routine pitched Hillary Rodham Clinton into the maw of criminal conflict-of-interest statutes. The controversy hinges on the fact that her single largest investment last year was a stake in Valuepartners I, a fund that pumped considerable money into health-industry stocks in 1992 and 1993.

Here's the problem: The Ethics in Government Act prohibits government employees from influencing any policy that might affect their financial interests or those of family, friends or business associates. According to regulations, "the dollar amount of the effect on the financial interest is immaterial." It doesn't matter whether a person makes or loses money on a questionable transaction. It's the appearance of impropriety that counts.

Mrs. Clinton's actions as health-care czarina fit the conflict-of-interest profile. Her work shapes the fate of every fund that dabbles in health-industry issues, including Valuepartners, and in a big way. University of Michigan business professor Craig Pirrong demonstrated last year that Clinton statements about pharmaceuticals accounted for most of the \$90 billion sell-off in drug-company shares between mid-1992 and late 1993. When Hillary Rodham Clinton speaks, markets listen - and tremble.

Valuepartners manager William Smith, a Reagan Republican, defends his most famous client by noting that she knew nothing about the fund's contents. He decided nearly two years ago to start printing only the most basic information on quarterly statements. That way, he could shield Mrs. Clinton from direct knowledge of health-related trades, while fulfilling his obligation to select the best mix of stocks for his investors.

But despite Smith's efforts, the Clintons had some idea where their money was going last year. Their financial disclosure forms include a "snapshot" of the Valuepartners portfolio on Dec. 31, 1992. That statistical portrait revealed that the fund was investing widely in health-industry stocks. Moreover, the Clintons could have received detailed updates on Valuepartners until the moment they turned their holdings over to an independent executor. Smith provides complete information on the fund whenever his partners want, so ignorance of the first family investment doesn't work as an excuse.

Neither, ironically, does the move to a "blind trust." Conflict-of-interest statutes apply to whatever a person originally puts into the trust, and the laws don't loosen their grip until a financial manager sells all the previously held assets.

The White House has tried to wriggle out of this difficulty by claiming that the first lady shares the president's exemption from the Ethics in Government Act. Administration lawyers assert that her wealth is wound inextricably with his, but that's not so. The thoroughly modern Clintons hold many separate accounts, including Valuepartners.

All of this raises two questions that continually stalk this White House: Do the president and his wife believe they can ignore laws that bind everybody else? Or are they innocent but sloppy?

Republicans in the House of Representatives have tried to get the answers by asking legal experts at the White House, the Office of Governmental Ethics and the Securities and Exchange Commission to supply crucial information, including: 1) a ruling on whether Mrs. Clinton must obey the Ethics in Government Act; 2) a full list of health-care trades conducted by Valuepartners while her money was parked there, and 3) an account of any communication or correspondence between Mrs. Clinton or her agents and Valuepartners.

Typically, however, the administration hasn't coughed up the facts.

But it should. This White House has been brought low by suspicions that its occupants work hard but don't play by the rules. Although a president must endure many ridiculous and unnecessary regulations, conflict-of-interest statutes are not among them. The Ethics in Government Act tries to bolster faith in the embattled institutions of Congress and the White House by preventing federal employees from transforming positions of public service into platforms for private gain.

Incredibly, the Clintons, who swept into office vowing to set unassailable ethical standards, constantly seem to flout the law - in this case, by clinging to controversial assets after coming to power.

Republicans (and a few off-the-record Democrats) have decided to track the Valuepartners matter because they fear that the Clintons' oversight may not have been just dumb - but that in the first lady's case, it also could have been criminal.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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Los Angeles Times

May 2, 1994, Monday, Home Edition

SECTION: Part A; Page 1; Column 2; National Desk

LENGTH: 2264 words

HEADLINE: RISKY VENTURES MARKED EARLY CLINTON INVESTING;
FINANCES: STRATEGIES OF PRESIDENT, WIFE HARDLY FIT SAFE PATTERN
FOR YOUNG COUPLES' NEST EGGS. IRAS WERE IGNORED.

BYLINE: By SARA FRITZ, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.

BODY:

Shortly after they were married in 1975, Bill and Hillary Rodham Clinton decided, as the First Lady described it recently, "to create some financial security for our family." Their goal, she said, was to accumulate enough money to educate their yet-unborn daughter, finance their own retirement and help their parents in times of need.

That explanation of the Clintons' now-controversial financial affairs doubtless struck a responsive chord among millions of young, middle-class Americans.

Yet the investment strategies the Clintons pursued in the early days of their careers did not fit the traditional pattern of safe, predictable, mainstream investments chosen by most young couples who are seeking to build a nest egg.

They did not buy a permanent residence. They did not open individual retirement accounts until much later in their marriage. They did not build a portfolio of carefully chosen blue chip stocks.

Instead, their financial records show, the Clintons repeatedly put their scant resources into highly risky and speculative ventures: commodities futures, oil-drilling leases, limited partnerships and real estate speculation, among other ventures.

Their partnership in the Whitewater Development Corp. and Hillary Clinton's wildly successful commodities trades -- the two investments at the heart of the current investigation of the Clinton family finances -- represent only a fraction of many investments that appear to have been designed more to strike it rich or to shelter income than to assure long-term security for the family.

In the early 1980s, for example, the Clintons made more than \$45,000 by investing \$2,014 in a cellular telephone franchise. They also earned a handsome return from investing in a highly exclusive stock fund with a reputation for buying on the margin and selling short. In addition, they enjoyed considerable tax advantages by investing in Forest Drilling Partners, a Colorado-based oil exploration company.

Of course, the Clintons were no ordinary couple. He, as governor, and she, as Arkansas' First Lady and member of the state's premier law firm, had plenty of knowledgeable people willing to help them with their investments. That kind of guidance can mitigate the risk most people would face pursuing such a high-risk strategy. And the Clintons did succeed.

Republicans and other critics charge that many of the Clintons' investments smack of possible ethical or legal impropriety -- receiving favorable financial opportunities from individuals and companies seeking favors from the state government, for instance. Those suggestions, which the Clintons have unequivocally denied, are being examined by a special counsel and a federal grand jury.

But whatever the outcome of the investigation, the pattern of the Clintons' early investment activities offers fascinating insight into how they approached one of the most important issues any young couple must face -- the question of financial security. And when it came to decisions like that, the Clintons were clearly not cut from common cloth.

Professional financial planners know from experience that, in any group of middle-class investors, there are always a few who say they want safety and security but who have the steely nerves and appetite to go after the big killing. Such investors would rather go for large gains, and risk large losses, than plod tortoise-like through a lifetime of small but safe steps toward financial security.

The Clintons appear to be among those who wanted to run with the hares.

"If you look at Mrs. Clinton's investments, they are more aggressive than you might normally see with people in her income bracket," said Bill Smith, owner of Smith Capital Management and Hillary Clinton's primary investment adviser for the last 16 years.

"Look at Whitewater," Smith said. "It was a high-risk, high-potential deal. And I'd put commodities trading and hedge funds in the same category. Anyone who uses leverage in their investing and uses shorting is rightly perceived as an aggressive investor."

In part, analysts say, the Clintons' investment strategy reflected their unique political lifestyle and the go-go impulses that prevailed during the late 1970s and early 1980s -- particularly in Arkansas, where firms such as Wal-Mart, Tyson Foods

Inc., J.B. Hunt Transport and TCBY Enterprises were growing rapidly and creating new wealth.

Moreover the Clintons moved in a small, elite circle of the state's wealthiest citizens, many of whom were clearly willing to share their investment expertise with the aspiring young couple.

"It's not uncommon in the circles in which they traveled to make those sorts of risky investments," said Mark S. Rogers, a Little Rock tax attorney. "From the looks of their early investment decisions, they felt under pressure to live up to their reputation as rising stars."

It was Jim Blair, Tyson Foods' general counsel and a millionaire, who persuaded Hillary Clinton to enter the commodities market. And she has acknowledged that his guidance helped her parlay a \$1,000 investment into \$100,000.

Likewise, James B. McDougal, a real estate developer and former thrift owner, has said he cut the Clintons in on the Whitewater deal in hopes of helping them to get rich quick. David Watkins, an advertising executive and former Clinton political adviser, was responsible for recruiting Hillary Clinton to invest in the cellular telephone franchise.

As their financial records show, the Clintons began married life in debt. Not only was Bill Clinton still paying off loans for his education at Georgetown University, Oxford University and Yale Law School, but he also had gone \$25,000 further into the hole to mount an unsuccessful campaign for the U.S. House in 1974.

During a term as attorney general and five terms as governor, Clinton himself never earned more than \$35,000 a year. Prior to becoming President, he reported his highest annual income of \$55,000 in 1981 from the law firm of Wright, Lindsey and Jennings, where he worked for two years after being turned out of the governorship after his first term.

Nor, it seems, did Clinton pay much attention to the family finances.

Thus it fell to Hillary Clinton to be the main breadwinner, money manager and investor. She went to work for the Rose Law Firm in 1977, receiving \$14,800 in salary that year. Her compensation quickly grew and exceeded \$100,000 by the time she left last year.

The First Lady said she chose to invest because she had grown up reading stock tables with her father, who taught her the value of "income and saving and investing." At the time she began investing, Rogers said, the word among Arkansas investors was: "Buy Wal-Mart stock."

Yet despite her upbringing and the popularity of such local issues as Wal-Mart,

Hillary Clinton did not begin by buying stocks. In fact, she made many of her riskiest investments long before she had sufficient disposable capital to be sure of covering her potential losses.

In 1978, the same year Clinton was first elected governor, the couple's combined wages totaled \$51,173. Yet they put themselves in a highly precarious financial position by putting their money into two risky investments: Whitewater Development and commodities futures.

Even though Hillary Clinton was required to put down only \$1,000 to begin trading in commodities futures, she herself has noted that she risked having to ante up thousands more had her trades been less successful. Likewise, to buy the Whitewater land, the Clintons and their partners, the McDougals, took out loans totaling \$203,000 for which they were personally liable.

Also, between 1978 and 1981, Hillary Clinton purchased and sold 170 shares in DeBeers diamond mines in South Africa, with capital gains of \$769. Her aides say the shares were purchased by her broker without her knowledge and were sold quickly because of her opposition to apartheid in South Africa.

In 1980, she put \$6,500 into one of the hottest investments of that era -- an oil-drilling partnership. Until tax laws were changed in 1986, investors in such partnerships could share personally in the tax deductibility of the venture, with the prospect of big profits if the drillers struck oil.

Zack Hager, director of investor relations for Forest Energy Inc. in Denver, said Hillary Clinton was one of about 1,700 people -- including such luminaries as golfer Jack Nicklaus -- who bought into the company's first such oil-drilling partnership.

In 1983, she and two of her law partners, Vincent Foster and Webster Hubbell, put up \$15,000 each to form a partnership known as Midlife Investors. Roy P. Drew, the stockbroker who set up the venture, said that by mutual agreement, the other partners -- not their spouses -- were designated as beneficiaries.

That same year, Hillary Clinton joined with a group of investors who obtained a federal cellular telephone franchise. In order to help the Arkansas Cellular group win the franchise, according to her fellow investors, Hillary Clinton not only bought a 2.5% interest with \$2,014, but also personally guaranteed a \$60,000 loan. When the franchise rights were sold to McCaw Cellular Communications Inc. for a profit of about \$2 million, she got a check for \$48,000.

In 1986, when Smith went into business for himself by creating Smith Capital Management, Hillary Clinton was one of the first investors in his Valuepartners fund, which buys stock on the margin and sells short. With 40 partners, it is a highly exclusive fund that is not marketed to the public. The Clintons' current stake in the \$8.7-million Valuepartners fund is about \$100,000.

Even though Hillary Clinton's investing gradually built her family nest egg into an impressive portfolio valued at something approaching an estimated \$1 million today, many of her investments went sour.

Whitewater Development was by no means the only high-risk, speculative investment on which the Clintons lost money. Other losers included the partnership that owns the Rose Law Firm building, Forest Drilling Partners, Midlife Investors, Kaiser Steel preferred securities and an early venture in Hong Kong and Shanghai. She lost \$2,532 in one day in 1987 with financial futures contracts.

The Clintons even lost money when they rented out a house they owned briefly in the early 1980s because the rent did not cover their mortgage payments. According to Lisa Caputo, Hillary Clinton's press secretary, the couple owned three houses at different times during the first eight years of their marriage, but did not keep any of them for very long.

Because mortgage interest payments are deductible, a home is the primary investment of most middle-class Americans. Although the Clintons lived much of their married life in the Arkansas governor's mansion, it is unusual for politicians not to have a permanent residence of their own.

As Rogers sees it, the Clintons made many investment mistakes in the early years of their marriage, but none as serious as their failure to take advantage of the law allowing couples to shelter up to \$4,000 of pre-tax income in an independent retirement account, or IRA.

"That really glared at me when I read their tax returns," he said. "Here are people with access to the best tax advice, and they made the worst decisions."

Their failure to invest in IRAs until 1981 is particularly puzzling. Presumably the Clintons could have used the tax shelter during 1978 and 1979, when she made big profits in commodities. It is also unclear why the Clintons failed to take a capital loss on their taxes for the sum of about \$40,000 they claimed they lost by investing in Whitewater Development.

It was not until the mid-1980s that the Clintons' investment portfolio began to resemble the typical holdings of couples in their income bracket, with a combination of safer investments such as municipal bonds and more speculative ventures such as Valuepartners.

Hillary Clinton frequently denies that Whitewater Development or any of her investments created a conflict of interest for the governor, who was responsible for regulating securities dealers and all other industries doing business in Arkansas.

Nevertheless, Smith told The Times that during the 1992 presidential campaign he

created "a de facto blind trust" for the future First Lady to protect her from allegations that by investing in pharmaceutical and other medical stocks, she stood to profit from her husband's pledge to reform the health care system.

"I quit sending out reports on the securities in the partnership," Smith said. "I did it to avoid any conflict of interest. I didn't want them to be on the line."

The Clintons did not put their investments into a blind trust until after they moved into the White House in January, 1993.

The Clintons' Income

Despite relatively scant resources, the Clintons embarked on a high-risk investment strategy in the late 1970s that has paid off over time.

	WAGES	TOTAL INCOME	FEDERAL TAXES
1977	40,856	42,626	8,194
1978	51,173	85,214	22,627
1979	74,236	158,495	58,388
1980	81,388	87,556	17,380
1981	106,448	110,601	25,886
1982	90,536	95,731	21,497
1983	116,857	123,787	30,196
1984	107,989	114,585	22,280
1985	90,382	102,407	18,791
1986	124,138	147,051	30,485
1987	133,358	165,890	36,969
1988	106,870	191,947	39,734
1989	146,444	199,000	37,883
1990	159,711	268,646	50,939
1991	147,887	237,576	49,828
1992	237,699	297,177	70,228
1993	191,640	293,757	62,670

Source: Clinton family tax returns

GRAPHIC: Table, The Clintons' Income / Los Angeles Times

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July, 1992

SECTION: ONE CANDIDATE'S FINANCES; Pg. 112

LENGTH: 2871 words

HEADLINE: How Hillary Manages the Clintons' Money

BYLINE: BY GREG ANRIG JR. AND ELIZABETH M. MACDONALD

BODY:

At the moment later this month when, barring a disaster, Bill Clinton gets formally crowned as the Democratic presidential nominee, Madison Square Garden will erupt into the predictable, exuberant, red-white-and-blue spectacle. As you watch the Rhodes scholar candidate presiding benevolently over the noisy party faithful wearing silly hats, you might wonder: What does this middle-aged guy of 45 really know about the "forgotten middle class" he so often mentions?

What, indeed. MONEY's conclusion is this: Without wife Hillary's \$ 110,000 income as a lawyer and her investing smarts in building a personal portfolio of more than \$ 470,000, the Arkansas governor might know much, much more. That's because his own salary, not counting perks, is a squarely middle-class \$ 35,000 a year.

Without question, Hillary Clinton -- who at 44 is educated, successful, confident and outspoken -- typifies women today who are taking charge of family money matters (see MONEY's June cover story). And she has made the family, which includes daughter Chelsea, 12, what they are today: in a word, rich. The Clintons' joint earnings of \$ 223,587 last year catapults the family into the top 1% of U.S. households, and their \$ 697,000 net worth ranks in the highest 3%.

In our two-month investigation of the Clintons' finances, MONEY enlisted the help of 15 investment and tax experts to scour the Clintons' federal and state tax returns filed since 1980, their financial disclosure forms and other documents. The Clintons themselves declined to answer any of MONEY's questions about their finances. Campaign staffers did provide some data, however. We, in turn, reviewed the family net worth statement released in late May in making our estimates of the Clintons' current holdings. We also conducted interviews with Hillary's Little Rock investment manager, her mother and family friends. Among the highlights we learned:

- * Hillary, whose total earnings have more than tripled in the past 11 years to \$ 179,920 in 1991, accounted for nearly 70% of the \$ 1.6 million that the couple collected in salaries and fees since 1980. As you might guess, beyond her own many

skills, being the wife of the governor hasn't hurt her in attracting clients or seats on boards of prominent corporations, including two based in Arkansas. Bill's gubernatorial pay -- fixed by law at \$ 35,000 since 1976 -- relegated him to an also-ran in the family's income derby, as well as the lowest-paid governor in the nation.

* Presumably because she earns most of the family dough and also, perhaps, to eliminate politically embarrassing suggestions of any conflicts of interest, Hillary owns outright roughly two-thirds of their \$ 862,500 in assets. * When Bill invests -- which isn't often -- he tends to stick with ultrasafe U.S. Treasuries. Comparatively, Hillary comes off as the financial swinger. She has dabbled in adventurous investments ranging from oil drilling partnerships to Standard & Poor's stock-index futures. Moreover, the money manager of the investment partnership she belongs to hedges by engaging in tricky short sales, borrowing shares that he then sells in hopes of being able to buy them back at a lower price.

Overall, our financial experts gave Hillary -- and by extension, the Clintons -- high marks. Considering Bill's low pay and lack of family inheritances, their ability to build a \$ 697,000 net worth since getting married in 1975 is impressive. Says Mark Gallagher, a tax partner at Campos & Stratis in Atlanta: "They are living within their means and managing their money well."

Moneymaking alone doesn't appear to be at the top of the family agenda and apparently never has been. Two years ago, before the recession, Bill Clinton told the Arkansas media: "If it was important to us, I think we could be millionaires, because we both were fortunate enough to get a good education, we've stayed healthy, and we both work real hard." The details of the Clintons' money:

* Salaries and perks. Set aside Bill's lousy 35 grand and the measly \$ 5,500 he received in honoraria for speaking engagements last year. Arkansas takes care of its governor through perks that would be worth at least \$ 100,000 a year if he had to pay for them. The Clintons live in Little Rock's 11,000-square-foot, three-bedroom brick Governor's mansion -- no money down, no mortgage and no maintenance costs. A \$ 51,000 annual mansion allowance covers utilities, gardening, catering and the like. Bill also has access to a \$ 19,000 "public relations fund," a quirky alternative to other governors' expense accounts. In addition, the Clintons have a chauffeur-driven \$ 22,000 Lincoln Town Car available round-the-clock, even for pleasure trips. (They also own a paid-off 1986 Oldsmobile Cutlass for personal use and Hillary's 2 1/2-mile commute to work.) And then there are some extra extras, like gratis 50-yard-line sets (\$ 20 each) for Arkansas Razorback football games and free membership in three Little Rock-area country clubs. That last perk, of course, hurt Clinton politically earlier this year when he was photographed at one of the three, a racially exclusive club he belongs to and has frequented since 1979.

MONEY also learned that Clinton accepts around \$ 1.4 million worth of admission tickets each year to a top Arkansas tourist attraction, the state-regulated Oaklawn horse racetrack in Hot Springs. He hands out the passes to people who seek them, including state legislators and campaign contributors. The practice dates back to the

1950s in Arkansas, but our calls to seven other major racing states including Maryland, New York and Kentucky found no similar giveaways currently. "It's a mistake for a public official to accept gratuities," said Michael Josephson, an authority on governmental ethics. "It creates appearances of impropriety. It visibly underlines a relationship between a governor and a racetrack, which is gambling. I'm stunned frankly at the amount. It's a staggering amount." Clinton spokesman Betsey Wright said she thinks Clinton considers the free passes "a great nuisance," and added: "I guess the potential is there for a conflict of interest, but we never let it be a conflict."

While Bill's earnings have stayed flat, Hillary's soared from \$ 50,579 in 1981 to nearly \$ 180,000 last year. Most of it comes from her 12-year-old partnership in the prestigious Rose Law Firm. Last year she also ranked in \$ 5,500 in speaking fees and \$ 64,700 for serving on three boards: the Arkansas-based \$ 44 billion Wal-Mart and \$ 321 million frozen-yogurt chain TCBY, as well as \$ 1.6 billion Lafarge, a Virginia cement maker. In May, citing time constraints, she resigned from those lucrative posts, forgoing about \$ 68,000 worth of future TCBY stock options and tax-deferred compensation at Wal-Mart. But she remains an unpaid director of nine nonprofits, including the Children's Defense Fund, the Children's Television Workshop and Public-Private Ventures, a Philadelphia group that helps teenagers.

* Investments and savings. In addition to earning most of the money, Hillary is also the one making it grow. Says Susan Thomases, a New York City lawyer and a longtime friend of the governor's: "I think Bill is, at best, totally indifferent toward investing." According to his 1991 and 1992 Federal Election Commission financial-disclosure reports, the only assets he owns outright are about \$ 40,000 in the ultraconservative Fidelity U.S. Government Income Fund, \$ 25,000 in Individual Retirement Accounts (the statements don't specify IRA holdings), about \$ 10,000 in a state employees deferred-compensation plan and a Northwestern Mutual life insurance policy that has roughly \$ 7,500 in cash value. Jointly, the Clintons hold some \$ 100,000 in bank accounts, CDs and money funds.

The only flier he has taken failed utterly. In 1979, during his first term, he and Hillary put up \$ 68,380 for a half-interest in an Ozark Mountain land development deal. Not only have they apparently lost the entire sum, but they also suffered politically when a front-page New York Times story last March suggested that the venture, known as Whitewater Development, amounted to a conflict of interest. The article noted that the Clintons' Whitewater partner, James McDougal, later became majority owner of a state-regulated savings and loan while Clinton was still governor. Clinton has denied any impropriety, saying that he has held on to the investment because he doubted he could find a buyer for the money-losing venture.

Hillary's now famous demeanor -- cool with occasional bursts of heat -- seems to mark her approach to money management as well. "She has always been careful and wise with her money," her mother Dorothy Rodham, 73, told MONEY. "Her father had a constant theme when Hillary was growing up that everything is too expensive, and you have to save for your retirement." Hugh Rodham, an 81-year-old retired textile executive, must be proud of his daughter. Although she is two decades away

from retirement age, Hillary has already put aside about \$ 120,000 in her law firm's profit-sharing plan and \$ 150,000 in other retirement accounts, money market funds and bank certificates.

Hillary is sometimes prone to flashy impulses, though. In the early '80s, when tax shelters were the rage, she invested several thousand dollars in oil drilling programs. And in March 1987, she plunged into highly volatile S&P stock-index futures. One day later, after prices moved against her, she closed out at a \$ 2,532 loss.

Today, Hillary owns three stocks that she chose including two where she was a director: Wal-Mart (her holdings: roughly \$ 85,000 as of late May), the women's apparel maker Liz Claiborne (\$ 15,000) and TCBY (\$ 1,500). She also owns about \$ 82,000 in tax-free municipal bonds and bond funds, \$ 40,000 in a Fidelity taxable U.S. Government bond fund and another \$ 4,000 or so in the G.T. Pacific Growth international stock fund.

The remaining \$ 80,000 of her portfolio is lumped with 49 other investors in a go-go partnership known as ValuePartners I. The private fund is run by Hillary's former stockbroker, Bill Smith, 52, who manages money in Little Rock for about 180 well-heeled clients. Minimum initial investment today: \$ 250,000. According to audited figures, ValuePartners has run up a 17% compound annual return since 1985, compared with only 11% for the NASDAQ index that most closely reflects the smaller companies Smith prefers.

Hillary told the Arkansas Gazette in 1990 that she chose Smith because of his conservative investment approach. But if he's conservative, Ronald Reagan is a bleedingheart liberal. In an interview with MONEY, Smith said: "Playing it safe with established blue chips won't produce the gains that younger companies can generate." As for Smith's short sales, they recently included such household names as BristolMyers Squibb, Campbell Soup and Reebok. In late May, his shorts were showing an unrealized 11.5% gain.

The Clintons have apparently begun a college savings fund for Chelsea, who will enter eighth grade in a Little Rock public school this fall. She has about \$ 42,000 in a money fund and the bank, plus more than \$ 3,000 of Nynex, Bell Atlantic and Bell South stock. Her mother, a Yale law graduate like Bill, also holds about \$ 35,000 worth of Arkansas college savings bonds, which can be used to pay for college in any state.

Although roughly 60% of the couple's assets are in Hillary's name, as noted above, she and Bill own their only real estate holding other than Whitewater jointly: half a share in her parents' \$ 180,000 Little Rock townhouse condominium, bought in 1987. (They use the place, and its swimming pool, as a weekend getaway.) And oh, yes: If the Clintons divorce, Bill would be entitled by state law to divide equally all the

assets they accumulated during their marriage, even ones in her name.

* Taxes. Accountants who reviewed the Clintons' tax returns for MONEY described the couple as conservative about taking write-offs. In the past decade, they paid between 20% and 26% of their adjusted gross income in federal income taxes each year, including last year's 22%, or \$ 48,608. But the Clintons and their Little Rock tax preparer, Yoly Redden, could be more careful. Their 1990 return failed to note \$ 11,662 the Clintons had given to 19 charities in addition to the \$ 25,213 listed. Redden filed an amended 1040, and the Clintons got an additional \$ 3,861 refund from the IRS.

* Spending and debt. Clinton associates say Hillary organizes the household budget and pays the bills. And friends and family agree that both Clintons would much rather save a buck than spend it. Still, says Arkansas Times "Insider" columnist Max Brantley: "They dress a heck of a lot better than they used to." The garish plaid sports coat and striped pants ensembles that a longhaired Bill wore in his 1979-80 administration have been replaced by conservative Southwick and Corbin designer suits costing \$ 375 to \$ 500 at Mr. Wicks, a Little Rock men's store. Hillary shops at local boutiques, typically spending \$ 250 to \$ 350 for custom-made and off-the-rack suits. The couple rarely eat out, though Bill has a soft spot for the local McDonald's 65 hamburgers and 50 coffee. He also has an eye for antiques, especially cameo pins.

The Clintons generally keep their debts low, limiting credit-card interest payments to under \$ 200 annually. Aside from two 1990 gubernatorial campaign loans totaling \$ 100,700 from a local bank, the couple's only debt is their half of the \$ 129,600, 15-year mortgage on her parents' condo. ell on their way toward becoming quite wealthy." The

pros who studied the Clintons' finances for MONEY think that the couple's investments should be lon's election mean to their finances? Not much immediately. His salary would nearlInner Mary Malgoire of Malgoire Drucker. "If they are trying to make their money grow, they should have 50% of their portfolio in stocks, rather than the 35% they have now. And they ought to raise their bondholdings to perhaps 35%, from 20%." Lewis Altfest, a New York City financial planner, applauds Hillary's retirement savings but thinks the couple should invest Chelsea's college fund more aggressively. "I'd tell th-- perhaps with a higher pay. Arkansas voters will decide in November whether to approve a state constitutional amendment to raise the governor'snton's wealth adds up ASSETS

Stocks, bonds, mutual funds

	\$ 95,000	Miscellaneous	
Personal property	\$ 54,000		
Life insurance cash value	15,000		
1986 Oldsmobile Cutlass	3,500		
	fic Growth Fund	4,000	
Schwab Tax-Exempt Bond Fund	2,000		
	\$ 372,000	Savings and checking accounts,	
CDs, savings bonds and money funds		\$ 143,000	Retirement plans

Hillary's profit sharing	\$ 120,000	
IRAs and Keoghs	50,000	
Bill's state employees savings plan	10,000	
	\$ 180,000	Real estate
Half-share in Hillary's parents' condominium	\$ 80,000	
Rose Building limited partnership	15,000	
	\$ 95,000	Miscellaneous
Personal property	\$ 54,000	
Life insurance cash value	15,000	
1986 Oldsmobile Cutlass	3,500	
	\$ 72,500	
	TOTAL ASSETS \$ 862,500	
Bank loans used to finance 1990 gubernatorial campaign	\$ 100,700	LIABILITIES
Mortgage on Hillary's parents' condominium (half-share)	64,800	
	TOTAL LIABILITIES \$ 165,500	
NET WORTH	\$ 697,000	

The Cliton campaign staff provided some figures. Asset totals may be midpoints for dollar ranges listed in campaign filings. Values of some stocks an savings are MONEY estimates, based on the Clintons' tax returns.

The Clintons' net worth of nearly \$ 700,000 puts them well up in the top 3% of U.S. households. Roughly two-fifths of their assets are in stocks, bonds and mutual funds -- a fraction financial experts consulted by MONEY described as cautious for a couple in their forties with an adolescent daughter. A conservative 17% is in savings and checking accounts. The couple's debt load is admirably low -- less than 20% of assets.

GRAPHIC: Graph, SHE BRINGS HOME THE BIG MONEY; Picture 1, The run for the White House may be all his, but the family earnings race has gone to Hillary Clinton every year since 1981. Her \$ 179,920 income last year -- from private practice, directors' fees, and speeches -- more than quadrupled his \$ 43,667 in governor's pay and honoraria. RICK FRIEDMAN/BLACK STAR; Picture 2, Clinton money manager Bill Smith doesn't shy away from shorting stocks. LARRY TRUSSELL; Picture 3, The Clintons lunch in the Governor's mansion in 1979, just before they barred photographers there. The staff was, and is, integrated. ENRICO FERORELLI; Picture 4, The Clintons have about \$ 80,000 in a college fund for Chelsea, 12. STATON BRIENDENTHAL

LANGUAGE: ENGLISH

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SECTION: A; Opinion; Pg. 12

LENGTH: 762 words

HEADLINE: First lady, or top government official?

BYLINE: WILLIAM SAFIRE; Staff

BODY:

IN the weeks before Vincent Foster's death, he was working on overcoming ethical concerns about one of Hillary Rodham Clinton's assets by putting the Clintons' financial holdings into a blind trust.

The guilt-ridden deputy counsel may have mishandled a potential conflict of interest in Value Partners, an investment group in which Hillary Clinton held nearly 1 percent; her estimated share is \$ 100,000.

The partnership was about 14 percent invested in health-care stocks at last year's end; it had "short" positions in companies like Health Pro, Cryomedical Sciences and Bioplasty, betting their prices would drop. The partnership manager, William Smith, tells me he spoke to Foster "three or four times" this year.

Hillary Clinton's public pronouncements about health and her hints at the need for particular price controls had a predictable effect on stocks in that field. Foster assured her she had no conflict-of-interest problems because she was not a government employee.

Then came the lawsuit demanding she open health-reform meetings to the public. The Federal Advisory Commission Act says that such meetings can be closed if attended only by "full-time officers and employees" of government. White House counsel won the case by claiming Clinton was indeed a federal official for purposes of that act.

But appellate Judge Laurence Silberman put a pregnant footnote in his June 22 opinion: "We do not need to consider whether Mrs. Clinton's presence on the Task Force violates any conflict-of-interest statutes. "

Had Foster's victory in court subjected the first lady to a Justice Department investigation based on the Criminal Code's section 202?

Faxed about this, Counsel Bernard Nussbaum faxes back: "The decision did not purport to affect the question whether the first lady is an officer or employee for any other purposes, including application of the conflict of interest laws. "

About the propriety of these holdings: "She had no role whatsoever in the investment decisions of the fund. Its holdings included some assets that are health-related, but the total of these assets is a minor portion of the fund's entire portfolio -- to our knowledge, less than 10 percent. Foster was aware of these facts. The matter was not discussed with the Office of Legal Counsel. "

Reasonable ethicists will grant that Hillary Clinton's health-related holdings are, as Nussbaum writes, "clearly insubstantial, because they are both a small amount of money and an insignificant part of the Clintons' total assets. " Nobody suggests she was out to make a buck on short sales of medical stocks.

But what may well have contributed to Foster's gloom was the need to protect the first lady from the consequences of his FACA victory with legal legerdemain. His solution was to put this active official outside the reach of the law.

Section 203 specifically exempts the president and the vice president from the conflict-of-interest law. Adds the redoubtable, likable Nussbaum: "It is the view of the White House counsel, consistent with the views of prior administrations, that the first lady, like the president, is not covered by the conflict of interest statutes and regulations. "

That's the Foster-Nussbaum doctrine, not the law. The non-coverage of this most governmentally energetic first lady was not sanctioned by Congress, not approved by the courts, not even reviewed by the Justice Department.

Justice's much-ignored Office of Legal Counsel, once led by such luminaries as Chief Justice William Rehnquist and Justice Antonin Scalia, was again bypassed by the White House. (The de facto boss at Justice, Hillary's former law partner, Webster Hubbell, even took over the poor guy's office space.) Nussbaum says that President Reagan's Office of Legal Counsel "opined that the first lady was not subject to these laws" -- as if Nancy Reagan ever claimed to be a government official for any purpose.

The blind trust finalized three days after Foster's death does not clean up a half-year's dealings of an asset that a lawyer sensitive to the appearance of conflict should have ordered divested on Inauguration Day.

What must have added to Foster's mental burdens? Not the money made by Hillary Clinton's \$ 14,000 piece of health stocks; that's chicken feed. It was the trap set for her by her own counsel: She must seek to join the president and vice president as the only full-time government officials exempt from the conflict-of-interest law.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

NOTES: Safire is a Pulitzer Prize-winning columnist of the New York Times.

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HEADLINE: Clintons' assets: Up to \$ 1.6M

BYLINE: Judy Keen; Bill Montague

BODY:

The Clintons had assets of \$ 633,015 to \$ 1,620,000 last year, financial disclosure forms released Tuesday show.

President Clinton's assets were between \$ 96,000 and \$ 266,000. Hillary Clinton's holdings: \$ 516,000 to \$ 1.05 million.

Chelsea Clinton's assets were estimated at between \$ 23,000 to \$ 140,000.

The forms require holdings to be listed in broad ranges. In 1993, the Clintons reported assets between \$ 534,000 and \$ 1.7 million. The Clintons put most assets in a blind trust last July to avoid ethical conflicts:

-- Clinton's investments earned him \$ 1,600 to \$ 6,100. His salary was \$ 189,167. Hillary Clinton had investment earnings of \$ 18,000 to \$ 63,700.

-- The first lady's portion of the blind trust was valued at \$ 500,000 to \$ 1 million; his was worth \$ 15,000 to \$ 50,000.

Among the assets transferred to the blind trust were her holdings of \$ 50,000-\$ 100,000 in Value Partners I, a limited partnership with holdings in health-related firms.

But the report appears to confirm Hillary Clinton did not profit improperly from her interest in Value Partners.

Republicans in Congress have questioned her stake in the fund while she was drafting the administration's health reform proposal last year.

Trading records released with the report show Value Partners did not reap

windfall gains on its investments in medical stocks in early 1993.

Health stocks tumbled early in 1993 on rumors Clinton's proposal would cap health-care costs. Investors feared the plan would slash profits.

The Clintons' 1992 financial report showed Value Partners routinely sold health-care stocks short - in effect, betting their prices would fall.

But the fund's manager, Bill Smith, has said the fund lost money in 1993's slump in health-care stocks.

While Value Partners sold at least five health stocks short in early 1993, it made money on only one - Synergin, which plummeted when an experimental drug failed a key test. ✓

Meanwhile, Value Partners lost money on several health stocks it bet would rise in price. ✓✓

Because the fund shares are in a blind trust, it's impossible to determine their current value. When placed in the trust, Hillary Clinton's shares amounted to less than 1% of the fund's total value.

The Office of Government Ethics decided Value Partners' investments were not a potential conflict of interest because health reform affects everyone, not specific companies.

The report showed the Clintons received gifts worth \$ 10,775, including jewelry, ties and athletic shoes. Singer Carly Simon gave a \$ 1,200 painting. Actor Tom Hanks gave \$ 530 worth of picture frames.

Vice President Gore's form shows he and his wife, Tipper, had assets of \$ 1.04 million to \$ 1.6 million, and mortgage debt of \$ 165,000-\$ 350,000.

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SECTION: FIRST SECTION; PAGE A1

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HEADLINE: Clintons Pay \$ 14,615 in '80 Back Taxes ;
Money Is to Cover Profitable Commodities Deals, Lawyer Says

SERIES: Occasional

BYLINE: Ann Devroy, Charles R. Babcock, Washington Post Staff Writers

BODY:

President Clinton and Hillary Rodham Clinton yesterday paid \$ 14,615 in additional 1980 taxes and interest after discovering the First Lady's commodities trading produced more profit than they had declared.

In a shift from the original White House description of Hillary Clinton's short career in the commodities market, the Clintons' personal lawyer and White House officials yesterday produced a stack of trading records and statements showing that a commodities account that was originally described as losing money in fact made a \$ 6,498 short-term capital gain in trading from October 1979 to May 1980.

Federal and state taxes on that gain, plus interest, equaled the \$ 14,615 the Clintons paid yesterday, David Kendall, the Clintons' personal lawyer said. He noted that the Clintons paid the amount, even though they had no legal obligation to correct "newly discovered errors from 14 years ago."

Kendall said they were unaware the error had occurred until it was discovered over the past week as he and others worked to reconstruct commodities trading records in the face of continuing news media inquiries.

For the White House, the story of Hillary Clinton's foray in the volatile and risky commodities market has turned into a long-running correction. The White House at first said Mrs. Clinton turned \$ 1,000 into a \$ 100,000 profit by studying the Wall Street Journal and getting advice from friends, including James B. Blair, then the outside counsel for Tyson Foods Inc.

In recent days, a more complicated story has emerged. Over the weekend, the White House acknowledged that Blair, not Hillary Clinton, executed most of the

Clinton trades in her profitable account at Ray E. Friedman & Co. -- known as Refco. This may have been a technical violation of commodities regulations because Hillary Clinton's account required that she place the orders herself.

White House press secretary Dee Dee Myers said yesterday, "I don't think we were as clear as we should have been on how exactly the trades were executed" in the original White House explanation.

The original White House explanation that Hillary Clinton stopped trading and left the market when she became pregnant and got cold feet because of the "nerve-wracking" nature of the business is at odds with the records. They show her continuing in the market for three months after her daughter's birth.

Until yesterday, the White House had said little about the second account opened with Stephens Inc., in Little Rock, Ark., in October 1979. Their explanation that Hillary Clinton opened the account with \$ 5,000, had small net losses and then closed it in March 1980 is also incorrect, yesterday's records show.

President Clinton's statement in a town meeting last week, when he was pressed on the commodities trading, that his wife got a "margin call" when she was pregnant, got nervous about the market and got out, is also, an official said, "no longer operative." There were no margin calls in the relevant period, the records show.

A senior official said the White House, pressed daily on inconsistencies and lack of records on the commodities trades, said, "We're damned if we do and damned if we don't" provide information because some information released publicly in the face of media pressure has turned out to be incomplete.

"We are talking about recollections of 16 years ago," said the official. "We are trying the best we can to reconstruct this" from old and incomplete records.

The second account, which Hillary Clinton opened with a \$ 5,000 wire transfer to Stephens Inc., produced the \$ 6,498 gain on which they paid the taxes yesterday. The White House had originally pointed to the second account as evidence that the First Lady, in playing the market, had not always been successful.

Officials described the failure to report the gain on the Clintons' 1980 returns an honest mistake growing out of the failure of a commodities firm, ACLI International, to send year-end statements that included capital gains and losses on trades. The year-end statement, provided to reporters, showed only information on securities and bonds.

The White House said that the Clintons owed \$ 3,315 in federal taxes and \$ 514 in state taxes on the \$ 6,498 unreported short-term capital gain. In addition, they owed \$ 10,134 in federal interest and \$ 652 in interest to Arkansas on the unpaid taxes.

The White House also said that the Clintons' 1979 tax return -- in which most of her commodities profits were reported -- were audited by the Internal Revenue Service in 1982 and no additional taxes were found to be owed, according to documents.

The new documents detailing Hillary Clinton's trading activities show many trades in addition to the cattle futures first described by the White House, some of which caused substantial daily gains and losses. She posted, for example, an \$ 11,435 profit in trading sugar futures in February 1980, offset about a month later when she lost \$ 11,250 on copper futures. She traded futures in soybeans, hogs, lumber, wheat and U.S. Treasury bonds.

The White House attached to its records a statement by Leo Melamed, a former chairman of the Chicago Mercantile Exchange who was asked to assess the Clinton records. He called the continuing questions over the trades "a tempest in a teapot" unless there are additional records to indicate otherwise. He added that her account "was at times thinly margined and that on occasion she traded with insufficient margin."

The White House acknowledged several days ago that occasionally Hillary Clinton's account was significantly in the red and her broker did not require her to come up with the cash to cover the losses. In all cases, subsequent gains covered the losses.

The batch of records the White House released on Hillary Clinton's original account at Refco showed that most of her positions were held for several days or weeks and thus would not have been subject to allocation of winning "day trades" to favored customers' accounts, as Refco was accused of at the time.

Melamed noted that only two of her 32 trades in 10 months were day trades. One was July 17. That was the same day she took her biggest loss, \$ 26,460, and three days before she made her last transaction with Refco in the cattle futures. That day her account bought and sold 50 contracts for live cattle and made a \$ 10,500 profit before paying a \$ 1,950 commission.

The White House release did not include the records of her first Refco trades, where her account records show she made a \$ 5,300 gain on a \$ 1,000 in one day. Experts have said this would have been impossible because \$ 1,000 would only control one cattle contract and the most one contract could make or lose in a day was \$ 600.

White House officials said they couldn't find the records for those trades and had no explanation for the quick profit except a belief that her trades were ordered a few days earlier than the monthly statement showed. Hillary Clinton's second account was handled by Stephens Inc., one of the largest investment banking firms in the country beyond Wall Street with interests in about a dozen Arkansas banks. It is

controlled by the influential Stephens family, whose holdings have been estimated at more than \$ 1 billion.

Her broker was William Smith, who also managed for years an investment partnership called Value Partners in which Hillary Clinton held an interest. Smith had total discretion to place trades for Hillary Clinton in that commodities account. ✓✓

GRAPHIC: PHOTO, HILLARY RODHAM CLINTON, WHOSE COMMODITIES DEALS HAVE CREATED CONTROVERSY, ADDRESSES THE ALZHEIMER'S ASSOCIATION'S PUBLIC POLICY FORUM. AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 12, 1994

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Information Bank Abstracts
WALL STREET JOURNAL

February 1, 1994, Tuesday

SECTION: Section A; Page 4, Column 2

LENGTH: 49 words

HEADLINE: SEC ASKED TO SEEK DATA ON FUND USED BY HILLARY
CLINTON

BYLINE: BY CHRISTI HARLAN

JOURNAL-CODE: WSJ

ABSTRACT:

Three House Republicans ask the SEC for information about Hillary Clinton's holdings in Value Partners I, an investment fund that sold short several health-care stocks early in 1993; the hedge fund is managed by Smith Capital Partners of Little Rock (M)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 1, 1994

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The Hotline

March 16, 1994

SECTION: WHITEWATE

LENGTH: 800 words

HEADLINE: OTHER NEWS: OTS OFFICIAL HAD MADISON PROBE REQUEST
REJECTED

BODY:

Brian McCormally, the top enforcement official for the midwest division of the Office of Thrift Supervision, recommended a probe of Madison Guaranty S&L in '93, only to have the request turned down by his DC supervisors, acting OTS counsel Carolyn Lieberman and acting OTS Dir. Jonathan Fiechter. The RTC had already been investigating Madison. The OTS and RTC "have overlapping jurisdictions and often conduct separate investigations into failed (S&Ls). But the (OTS) has a larger staff and greater enforcement powers, and has handled many of the most significant investigations of (S&Ls) and their lawyers and accountants." The rejected request "is likely to raise new questions in Congressional hearings scheduled for next week about whether officials in Washington tried to narrow potentially embarrassing inquiries into Madison." Lieberman and Fiechter "report to senior political appointees at the Treasury Department, and rarely make major decisions without high-level consultations." Treasury spokesperson Michelle Smith: "There was no involvement by Treasury. Treasury would only be involved on policy matters, not specific cases" (Labaton, N.Y. TIMES, 3/16). Treasury officials had established "rules for monitoring, but not influencing, politically sensitive cases" before dealing with the WH inquiries. During a 5/93 RTC suit against Rep. Wm Jefferson (D-LA), "Treasury said it wanted to be notified before any suit was filed, but officials emphasized they hadn't any intention of interfering in the case" (Bacon/Karr, W.S. JOURNAL, 3/16).

CLINTON TAX LOSSES: A tax return prepared last year at the direction of Foster suggests that Whitewater Development "was closer to breaking even" than the '92 audit commissioned by the Clinton campaign asserted (Engelberg, N.Y. TIMES, 3/16). MONEY magazine audited the Clinton tax returns from '80-92 and concludes the Clintons may owe up to \$45,411 (N.Y. POST, 3/16).

VALUE PARTNERS: AR DEM-GAZETTE's Greenberg counters the request from 81 House GOP members that Hillary Rodham Clinton answer questions regarding ValuePartners, a stock fund in which she invests. GOPers want to know if she could affect the price of pharmaceutical stocks in the fund in drawing up the health plan.

Greenberg writes fund manager Bill Smith, a self-avowed "Reagan Republican," went the "extra mile," and took "additional precaution to guard against even the impression of wrongdoing. ... Bill Smith created a blind trust for the Clintons more than a year before they had the sense to do it for themselves" (3/16). ✓

ANOTHER MCDUGAL INTERVIEW: In an interview on ABC's "GMA," Jim McDougal refused to disclose the details of his press conferences which he claims will completely clear Bill Clinton. Asked whether the press conference will do the same for Hillary: "That I can't tell until the White House sends me back the Whitewater records, which they are contractually obligated to do. When I receive those records, I hope that I'll be able to make the same assurance about Mrs. Clinton." McDougal, on whether he could take a lie detector test on HRC's innocence: "I think I can, as soon as I review the Whitewater records and refresh myself. I have every hope I can." On the controversy in general: "This is simply a crypto-fascist witch hunt" (3/16).

RESEARCH-FOR-HIRE: Conservative activist Floyd Brown was at the Nat'l Press Club where he handed out a "treasure trove of information" on Whitewater to reporters "who grabbed them up like goodies." Brown, creator of the '88 Willie Horton ad, doesn't plan Whitewater TV ads -- "at this time" (DEM-GAZETTE, 3/16).

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

June 9, 1993

SECTION: THE PLAYING FIELD

LENGTH: 907 words

HEADLINE: INDUSTRY WATCH: AFFECTED BY THE DIRECTION OF REFORM

BODY:

RESEARCH: L.A. TIMES reports on the "trend" toward privatization of medical research. NIH estimates 59% of biomedical research in the U.S. is financed by the private sector, an increase of 19% since '79. L.A. TIMES: "The benefit is that studies that might not be conducted receive funding. ... But the drawback, critics say, is that special interests are subtly -- and perhaps not so subtly -- shaping the course of medical research and possibly coloring findings as well. The trend also means that basic research ... is giving way to applied research, studies directed toward developing drugs and medical devices that will make a profit." Univ. of MN Center for Biomedical Ethics' Arthur Caplan: "Are we going to wind up bringing the bottom-line mentality into the laboratory? Are we going to raise a generation of scientists whose first impulse is to patent, or keep a trade secret rather than to share news with their colleagues? ... This is tearing at the very moral fiber of academic (research) centers" (Sheryl Stolberg, 6/8).

BIOTECH EXECS: L.A. TIMES reports biotech stocks have dropped 40% since Clinton took office. Genelabs Technologies Pres. John Kung: "The health care reform cyclone has put a tremendous damper on investor attitudes about biotech. We are being unduly punished." TIMES: "If the market fails to rebound soon, biotech executives say, there will be a fundamental transformation of the industry, with a trend toward consolidation accelerating. Additionally, they say, foreign drug firms will probably take an increasing share of the American-born industry as they sense there are bargains to be had." Eli Lilly, which has invested in 40 biotech companies, has responded by "tighten(ing) its standards to the point that it will no longer buy into a biotechnology company that has only one or two drugs in the pipeline." Some attribute the "cooling off" of the industry's stocks to "simply a stage in the maturing of a still young industry." Amylin Pharmaceuticals' Howard Greene: "Whereas in the past you dazzled them with science or laboratory or animal experiments, now (potential investors are) focused on human clinical trial results" (Chris Kraul, 6/7).

DRUG COS.: DETROIT NEWS profiles Upjohn, noting that with the death of its Chair and CEO Ted Cooper earlier this year and with four of its products coming off patent over the next year, the co. is "reeling." NEWS: "However, the short-term problems pale in comparison with Clinton's attack on drug pricing." According to the

NEWS, Vice-Chairs William Parfet and Mark Novitch and Pres. Ley Smith have been vigorously defending accusations of price gouging on Capitol Hill, to the media, to business groups and in public forums. NEWS: "Parfet becomes almost evangelistic when defending the industry. Drug costs account for 7 percent of health care spending, he said, yet drug makers are bearing a big portion of the blame for spiraling costs." Parfet: "We've always been reluctant to state our case before, but no more" (Bill Vlasic, 6/3). JOURNAL OF COMMERCE reports Miles Inc. has agreed to limit overall price increases of its prescription drugs to the level of inflation. Miles' Helge Wehmeier: "We believe that voluntary price restraints are better than government-imposed price controls which might be considered, because over a long period such restraints would cause problems" (6/8).

STOCK BROKERS: "Health care stocks have been rebounding since early April. But it may not pay to bet just yet that the bounce will last. In fact, some industry insiders are betting the opposite, using the two-month rally as an opportunity to sell shares at the highest prices since late last year," writes USA TODAY (Daniel Kadlec, 6/8). DETROIT NEWS: "Wondering what Hillary Clinton's health care plan is likely to mean for you and the economy?" NEWS reports Value Partners, the investment house that manages Clinton's portfolio, "has been selling short health care stocks since she became first lady" (6/5).

LANGUAGE: ENGLISH

LOAD-DATE-MDC: June 9, 1993

White House Plays Down a Visit by a Psychic

By FRANCIS X. CLINES

WASHINGTON, June 23 — A new book has caused a stir with its detailed descriptions of White House visits to Hillary Rodham Clinton by a New Age psychologist, but President Clinton's spokesman said today that the meetings were nothing more than "a brainstorming session" for the First Lady's book-writing project.

"Nothing mysterious here," said Michael D. McCurry, the White House press secretary, commenting on a detailed account of one meeting in which Dr. Jean Houston, a human-potential-movement psychic, proposed that Mrs. Clinton imagine morale-building conversations with famous figures she admires, including Eleanor Roosevelt.

She did so, Mr. McCurry said, as "a graceful First Lady who enjoys listening to women with ideas and perspective that differ from her own."

Two White House meetings with Dr. Houston are described in a new book about the 1996 Presidential campaign by Bob Woodward, an assistant managing editor and investigative reporter for The Washington Post, which devoted two front-page articles today to the book. Newsweek magazine, which is also promoting the book, "The Choice" (Simon & Schuster), characterized the visits as séances, a term that Mr. McCurry criticized as far from factual.

"I think that's very, very unfortunate," he said, adding that "Hillary's recollection is that it was, in fact, nothing more than brainstorming" for her book, "It Takes a Village."

Commenting on Dr. Houston, Mrs. Clinton's deputy chief of staff, Melanne Verbeke, said: "She is neither a spiritual adviser nor a policy adviser. Any suggestion that emerges from the book that she is a central figure in the First Lady's activities or world view is inaccurate."

The Woodward book is about the Clintons and Bob Dole, the Republican candidate for President. It describes Mrs. Clinton's efforts to imagine meeting Mrs. Roosevelt, an earlier First Lady who stirred controversy and faced heated criticism. That session was tape recorded, according to the book, which, however, paraphrased Mrs. Clinton as saying in the meeting that the White House had been a shock for her in terms of the attention she attracted and the

THE CHOICE



BOB WOODWARD

Simon & Schuster

A book — "The Choice," above — says Hillary Rodham Clinton met with a New Age psychologist.

expectations placed on her.

Dr. Houston has described herself as a "sacred psychologist" and "global midwife" who in 30 years of research, world travels and practice has studied trances, hypnosis and drugs as tools of therapy. The Woodward book stresses that none of these were employed in the White House visits, only self-help conversation.

Administration officials, mindful of the controversy that engulfed the White House after it became known that Nancy Reagan, while she was First Lady, regularly consulted an astrologer, described Dr. Houston's visits as far from occult.

"There's a lot less here than the people marketing the book would have you believe," said George Stephanopoulos, senior adviser to the President. He said it was as common for White House figures to ponder history and imagine what their predecessors might have done as it was for "titillating" exaggerations to be offered in the marketing of books about the White House.

Present at the session with Dr. Houston was Mary Catherine Bateson, an anthropologist, who considered the meeting "a kind of meditation, reflection or even prayer," according to the Woodward book. A similar self-help lesson was attempted in imagining guidance from another of Mrs. Clinton's heroes, Ma-

hatma Gandhi, the book said, but the First Lady drew the line at a suggestion that she imagine a conversation with Jesus, saying such an exercise would be too private.

In her newspaper column two weeks ago, Mrs. Clinton cited both women in a longer list of female writers, historians and thinkers she praised as creative and provocative. She described Dr. Houston as an expert on philosophy and mythology who had "shared her views with me on everything from the ancient Greeks to the lives of women and children in Bangladesh."

Mrs. Clinton wrote: "As women, talking can be our greatest friend. I don't always agree with what I hear."

Both women had been members of a group of self-help authors and leaders of the New Age human-potential movement invited by President and Mrs. Clinton to Camp David as they sought to come to grips with the loss of Congress in 1994 and other political setbacks. That visit was previously reported, just as Mrs. Clinton had earlier noted how she regularly felt the need for an inspirational chat with Mrs. Roosevelt.

In her column two weeks ago, written as the Woodward book was near publication, Mrs. Clinton noted: "I occasionally have imaginary conversations with Mrs. Roosevelt to try to figure out what she would do in my shoes. She usually responds by telling me to buck up or at least to grow skin as thick as a rhinoceros."

Asked whether Mrs. Clinton had expected Dr. Houston's White House visits to remain private, Mr. McCurry replied that "normally, friends keep confidences," but that, in any case, Mrs. Clinton had advised Dr. Houston to simply "tell the truth" if the subject arose. "The sad truth now is the First Lady expects people to mischaracterize things," Mr. McCurry said.

President Clinton had no direct comment on the visits. His chief of staff, Leon E. Panetta, said the book excerpts merely showed that Mrs. Clinton reaches out regularly to friends and experts to draw strength from other experiences in order to bear up under White House pressures. Speaking on the CBS News program "Face the Nation," Mr. Panetta said, "I can't tell you how many Hail Marys I've said since I've taken this job."

Defying Odds in Mississippi, Black Carries G.O.P. Torch

By RICK BRAGG

JACKSON, Miss., June 21 — The poverty runs longer and deeper through Mississippi's Second Congressional District than anywhere else in America. From the three-room shanties of Jackson to the skinny blacktop of the Delta, this is a postcard of failed dreams. Women still tote water in plastic buckets to bathe their babies, and the first of the month remains a time of great expectation because so many people exist on welfare, food stamps and Government peanut butter.

The Republican Party — the party of Newt Gingrich, Patrick J. Buchanan, welfare reform and the Contract with America — wants their votes.

Danny Covington, a 40-year-old black man running for office for the first time, could deliver this desperately poor district to the Republicans, if he can persuade 12 to 15 percent of black voters to join with the overwhelming white support he is expected to get to unseat Bennie Thompson, the liberal black incumbent.

The obvious question: Why would that ever happen? To many black people in this traditionally Democratic district, voting for a Republican, even if that Republican is a black man, would be like a possum smuggling up to a speeding car.

"African-Americans and minorities in general are conservative in nature, and we believe in the family," reasoned Mr. Covington, a former parole officer and civil servant from Vicksburg who served in the 1980's as a Congressional aide to

another Mississippi Republican, Webb Franklin.

"We don't have to have a constitutional amendment to support prayer. We believe that a 4-year-old child should not be in a position to raise Momma and Daddy," he said, referring to Aid for Dependent Children checks, on which whole families subsist. "We also believe that life is good, life is precious, and life begins at conception."

Mr. Covington is one of 24 black Republicans who are running for

Continued on Page B6, Column 1

Continued From Page A1

Congress, in addition to 2 who are already serving in the House.

He and two others are believed to have the most realistic chances. They are Joe Rogers of Denver, a moderate seeking the seat held by Representative Patricia Schroeder, who is retiring, and Teresa Doggett of Austin, Tex., running against a Democrat, Lloyd Doggett (they are not related), in a white-majority district with a growing Republican constituency. The two black Republicans in the House are Representatives Gary A. Franks of Connecticut and J. C. Watts of Oklahoma.

Although black Republicans, especially in the South, remain an oddity — just 2 percent of the party — their numbers are climbing as blacks grow increasingly dissatisfied with their place in the Democratic Party. Charles Barkley, the Phoenix Suns basketball star from Auburn University who earned the nickname The Round Mound of Rebound in college because of his pudginess, has said he would like to run for Governor of Alabama as a Republican.

"Republicans are making some effort to be more inclusive, and some African-Americans are feeling comfortable inside the party," said Stephen Schaffer, a professor of political science at Mississippi State University. "Probably, on moral issues, African-Americans are more conservative, but it's a problem in general on economic issues."

But Mr. Covington believes otherwise. He said he was not trying to take milk from babies or food from old people, "but some guy who can bench-press 300 pounds, has all 10 fingers and can see real good, he should work," Mr. Covington said. "And if he commits a crime, we'll build more prisons" and put him in jail.

What was once unthinkable is shaping up in Mississippi as, at least, a real contest, political experts and Republican Party officials say. Some black voters laughed out loud when asked if they would vote for a Republican, of any color, but others said they would consider it. The reason: Years of Democratic leadership has done little to lift the weight of poverty here.

The district includes the whole Delta, an area where outhouses are still a common sight in back of ragged houses that lean between vast fields.

"I'm a lifelong Democrat, but I'm beginning to wonder," said 73-year-old Bennie Evans, who came to hear Mr. Covington speak at the Mount Zion Youth Center outside Jackson. "We want somebody who can change things."

But Democratic leaders said that as bad as life in the Delta and other poverty-stricken districts might be, it could get worse if the Republican proposals on welfare and other social programs were passed.

Mr. Thompson, in Congress since 1993, sees it as just one more case of political opportunism, and betrayal.

"It just appears to be a shortcut to what they think is the head of the line," said the 50-year-old Congressman, who lives in tiny Bolton, near Jackson. A former alderman, he has been a politician all his adult life, an uncompromising proponent of government programs for the poor.

"For any self-respecting African-American to run on an anti-affirmative-action plank, wanting to cut Medicare and Medicaid, reduce educational funding, is suicide. You can't represent a district like mine and not make sure that basic services are available to the people," he said.

But that, Mr. Covington said, is the whole reason why he believes he can unseat the incumbent: He said the district was stagnating, as Mr. Evans said, held fast in never-ending poverty and dependence on welfare.

Mr. Covington said Mr. Thompson could stay in power only if his district remained poor, remained chained to welfare checks.

"He wants people to be downtrodden," Mr. Covington said. "That's his platform. It's like he feasts on poverty."

Mr. Covington lives in a house in the country with a Jacuzzi in the back and campaigns in perfectly fitting suits and ties that did not come from Kmart. But he was born in

rural Mississippi, in Columbus, to a woman who had three sons by three different men, who each abandoned her.

She made their living by taking in ironing and washing, and working as a maid. They lived in a two-room house. Mr. Covington took his first indoor shower at the University of Mississippi, where he went on a band scholarship. He played the tuba.

If his mother could survive without welfare, he said, so can others. If he could climb out of poverty, so can they.

While others look at the Delta and see only hopelessness, he said, he sees people who are struggling to make house and car payments and raise their children properly, but also many people who do not try at all. Mr. Thompson told them he would take care of them, Mr. Covington said, so there is no reason to find a job. "He's a poverty pimp," he said

of Mr. Thompson.

Mr. Thompson responded: "I know almost 900 African-American elected officials in Mississippi, and I don't know one that's had to run on the Republican ticket to win. We need to have that kind of representation rather than the Republicans' finding somebody at the last minute to run for office."

It is not expected to be a gentlemanly campaign.

Mr. Covington, a tall, thin, ebullient, rapid-walking man who worked in several campaigns, including those for Mississippi's stridently conservative Gov. Kirk Fordice and Senators Trent Lott and Thad Cochran, has not tried to pass himself off as a toned-down conservative who would be palatable to black voters. He does not try to justify his place in a party that many blacks view as

threatening. He simply denies the threat.

"I don't think there's a Republican anywhere in America who wants to see people starve, see people homeless, see people go without medical treatment," he said.

When pressed, he conceded that, yes, there are some Republicans who would drastically cut social welfare programs without apology. But while he is loyal to his party, he said he would be his own man.

Mr. Thompson has been here before. He defended his seat against Bill Jordan, a black Republican, in 1994. Mr. Jordan, whom some Republicans criticized for failing to run a hard race, still won 41 percent of the vote in a district that is 63 percent black, but where the voting-age population is just 58 percent.

Mr. Covington disdains any comparison between this race and that one. He ignored his Republican opponents, whom he easily defeated in a primary, and focused on Mr. Thompson. He drives hundreds of miles every day, stopping at community centers, churches, stores. He works the crowd at the Church's Fried Chicken and the barber shop at the Edison Walthall Hotel in Jackson. On Wednesday, he crisscrossed the Delta with his campaign manager, Linda Brombach, putting 500 miles on his car.

"Covington is doing a different sort of campaign: going out and meeting people," said Mr. Schaffer, the political science professor.

"It'll be an uphill race for Covington," he said, "but he does have lots of political experience."

What he must do, some voters here said, is convince them that he is not a lap dog for Mr. Gingrich and other Republican leaders. Mr. Covington, who has been in the party since he joined the Young Republicans Club at Ole Miss 20 years ago, said he could better represent people here because "I can take things to the table" and deal with Mr. Gingrich, Mr. Lott and others.

But there is little disagreement among them. He is against abortion, even in cases of rape or incest. He supports Republican tax cuts and opposes gun control.

"I'm a conservative," he said.