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Divider Title: Jan. 29, 1997

CAL THOMAS

WEDNESDAY, JANUARY 29, 1997
The Washington Times

Fred Wertheimer, the former president of Common Cause and a moral icon to some when it comes to defining the straight-and-narrow way of money and politics, describes fund-raising by the Clinton administration and the Democratic National Committee as "a systematic misuse of the White House." He called the alleged cash-for-access-to-the-president scheme "unprecedented." Because Mr. Wertheimer has been a critic of fund-raising by Republicans and Democrats, his description carries more weight than the usual partisan complaints.

Hundreds of pages of new documents show President Clinton participated in 71 "coffees" with corporate donors and supporters. Hillary Clinton, Vice President Al Gore and his wife attended 32 more coffees at the White House with big donors and Democratic fund-raisers. Prior to the release of the documents, the administration had called these gatherings mundane and claimed no fund-raising took place. Technically there may have been no appeal for money during the meetings, but the documents reveal that those who gained access to the president coughed up \$6.5 million to his re-election campaign, and at least \$600,000 of that amount was given shortly after the visits.

Other papers show former Deputy Chief of Staff Harold Ickes instructed aides to devise plans to win the support of Asian-Ameri-

Misuses, abuses and excuses

cans, Hispanics, blacks and other ethnic groups. Republicans were frequently demonized at such gatherings, especially when the audience was black. "College-educated black professionals have a different perspective than black 'blue-collar' workers," said one of the papers. "Blacks in rural areas think differently than blacks in urban areas." Any Republican who said that would be labeled a racist.

The strategy document for winning Asian votes was written by John Huang, a central figure in the growing fund-raising scandal.

White House special associate counsel Lanny Davis said those involved in the project to target ethnic voters contributed their time over and above the 40-hour work-week and thus did not violate the Hatch Act. That will bear looking into, as will the flipping and flopping done by Mr. Gore over his visit to a California Buddhist Temple, an event that raised \$140,000 for the party. At first Mr. Gore denied knowing of any fund-raising at the temple, then acknowledged it had

occurred, but now says, "I did not know that it was a fund-raiser."

The president's nominee for labor secretary, Alexis Herman, sat in on five of the coffees. She was put in charge of Mr. Ickes' special project to attract minorities to vote for the president, which involved substantial fund-raising activity. The public-interest group Judicial Watch released a video deposition from James Hackney, counsel to the late Commerce Secretary Ron Brown, in which he says Miss Herman coordinated White House briefings for participants in Commerce Department trade meetings, virtually all of which carried big contributors on foreign missions. White House officials rejected the implication of a quid pro quo.

The documents reveal that other participants in the coffee meetings with the president included some of the nation's most prominent bankers and at least one senior banking regulator, the Treasury secretary and the top fund-raiser for the Democratic

Party. If these meetings weren't about raising campaign contributions, why did the fund-raiser attend? While meetings between any president and potential donors are common in an election year, it is *not* common for such events to be organized by a political party nor for those who regulate an industry to be present at such gatherings.

Republicans will have a more difficult time investigating these matters than in the first Clinton term because the president is conducting a pre-emptive strike in bipartisanship. From his calling for a volunteerism summit to be co-chaired by former President George Bush and Colin Powell, to his proposed reduction in the increase in Medicare spending (for which he and the Democrats demonized Republicans during the campaign), Mr. Clinton is trying to build a rosy public-relations hedge around himself in case the scandals become too much even for a public largely anesthetized by his charm. Now that he no longer needs to run again, he says he'll stop taking "soft money" campaign contributions if Republicans do the same. Last week, he pledged to improve the quality of our food.

No matter how difficult the task, Congress must investigate every misuse, abuse and excuse in the White House fund-raising debacle.

Cal Thomas is a nationally syndicated columnist.

Senate Scrutiny on Democratic Financing

By STEPHEN LABATON

WASHINGTON, Jan. 28 — Senator Fred Thompson, the head of the Senate committee investigating improper campaign contributions, outlined a broad mandate today for the inquiry and said that hearings remained months away.

In a brief address on the floor of the Senate, Mr. Thompson, Republican of Tennessee, said the Senate Committee on Governmental Affairs would explore whether the White House had properly maintained legal barriers between fund-raising activities and the official business of governing, and whether any American policies or national security decisions had been affected by campaign contributions.

He also served notice on the Clinton Administration that he would consider challenging any claims of executive privilege that might be invoked by the White House to withhold sensitive documents.

A variety of House committees have begun to explore various angles of the campaign finance activities of the Democrats. The Justice Department has also created a special task force to examine the fund-raising activities of the Democratic National Committee and a number of major donors.

But Mr. Thompson's inquiry is expected to be the main Senate showcase for examining how the White House and the Democratic Party raised money for the Presidential campaign and why so many questionable donations were solicited. The Democratic committee has already returned about \$1.5 million in contributions, most of which was solicited by John Huang, a former trade official in the Commerce Department who left the Government for a top position on the committee.

Mr. Thompson, who became well-known in Washington two decades ago for his work as the Republican counsel to the Senate committee investigating Watergate, said the Governmental Affairs Committee would look at the conduct of both the Democratic and Republican campaigns.

"This does not mean that we must strain to create some false balance or that we have some sort of party quota system," Mr. Thompson said. "It simply means that we must let the chips fall where they may. We are investigating activities, not political parties."

At his news conference today, President Clinton said that he hoped Mr. Thompson's investigation would be "fair and evenhanded."

"I'm confident that any investigations will reveal what I said, that the vast majority of people who give, do so well within the law and with the best of motives — they really believe in what they're doing, on both sides."

Mr. Clinton said:

Still, both the Senate minority leader, Tom Daschle of South Dakota, and Senator John H. Glenn Jr. of Ohio, the ranking Democrat on the Governmental Affairs Committee, urged the Republicans today to impose strict restrictions on the length and scope of the inquiry.

But Mr. Thompson said he would not impose limits because the White House had not always been cooperative with Congressional inquiries.

"We have seen what appears to be

a grudging release of information in dribs and drabs and, seemingly, only when forced to," Mr. Thompson said. "We have seen the broadest claims of executive and attorney-client privilege in our history. We have seen all manner of delaying tactics which Congressional oversight committees claimed were intended to avoid scrutiny by Congress, where noncooperation has been stretched past the cut-off dates of committee investigations or even sessions of Congress."

THE NOMINEE

Hints of a Possible Cloud Over Labor Appointment

By MICHAEL WINES

WASHINGTON, Jan. 28 — The Senate majority leader, Trent Lott, cast a shadow today over President Clinton's nomination of Alexis M. Herman as Secretary of Labor, saying her political activities while in the White House last year may have run "awfully close to the edge" of Federal law.

Mr. Lott, a Mississippi Republican, said he did not know whether the nomination was in jeopardy. The White House and senior Democratic senators have declared their confidence that the Senate will confirm Ms. Herman.

Still, making that happen appears to be the first task of two top Democratic strategists recruited by the White House to help shepherd its nominations through the confirmation process.

Ms. Herman, until recently Mr. Clinton's liaison to ethnic groups and other constituent groups, was identified in White House files released last week as a leading organizer of those groups on behalf of Mr. Clinton's 1996 re-election campaign. Among other activities, the documents state, she prepared a plan to recruit black supporters by inviting black community leaders to meet the President at the White House.

Ms. Herman's office also invited Edward Ludwig, the Comptroller of the Currency and a crucial Federal banking regulator, to a much-criticized meeting last May of banking executives, their Federal overseers, the President and the Democratic Party's top fundraiser. The Democratic National Committee arranged the White House session, which was not officially a fund-raising event but which included many of the banking industry's biggest donors to

Democratic causes.

The White House has strongly defended Ms. Herman, saying she put in a full day's work in her White House job before performing any political duties. The Hatch Act bars Presidential appointees from conducting political activity while on the job, but does not prohibit after-hours work for parties or candidates.

But Mr. Lott questioned the White House position today.

"This latest information that has come out about arranging for meetings, appointments at the White House, as the news media reported this morning, it's awfully close to the edge of violating the Hatch Act," he said after a lunch with Republican senators in the Capitol. "I think we have to take a look at what she did and see if there are any problems."

Mr. Lott said he had considered Ms. Herman a good choice to head the Labor Department until the latest reports. Asked whether her confirmation was in jeopardy, he replied, "I don't know."

Senator James M. Jeffords, the Vermont Republican who heads the Labor Committee, has yet to schedule hearings on Ms. Herman's nomination, which some regard as a sign of trouble. Most of Mr. Clinton's other nominees have either completed their hearings or have a schedule for them.

But one senior Democratic aide, who spoke only on the condition of anonymity, noted that Presidents had used Ms. Herman's office as a vehicle for campaign planning for years, if not decades, and argued that Ms. Herman's political activities so far had not been shown to be much more blatant than those of Republican Administrations.

Clinton Defends His Fund Raising, Including Coffees

By HILARY STOUT

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—President Clinton fervently defended the Democratic Party's fund-raising methods, including inviting big donors to the White House for personal chats. He told reporters that he gives contributors "a respectful hearing" but not "a guaranteed result."

Mr. Clinton spent much of the first news conference of his second term answering questions about the party's fund raising, including coffees he held with people who made large contributions to the Democratic National Committee.

"I can tell you no decision ever came out of any of those coffees where I or anyone else said, 'This person's a contributor of ours—do what they ask us to do,'" he said. "... But I do think it's important to listen to people."

Still, he said, "I think what we've all got to be candid enough to say is, no one is blameless here, it costs so much to pay for these campaigns, that mistakes were made here by people who either did it deliberately or inadvertently. Now it's up to others to decide whether those mistakes were made deliberately or inadvertently."

The president's defensive stance came as two cabinet nominees face criticism on Capitol Hill over their roles in his re-election campaign. Alexis Herman and Rodney Slater, the nominees for labor secretary and transportation secretary, respectively, developed a strategy for courting black voters last year, newly released White House documents say. And Ms. Herman appeared to have a role in organizing some of the coffees. Some congressional Republicans charge that Ms. Herman, as White House director of public liaison, and Mr. Slater, as the federal highway administrator, may have violated a law restricting federal employees' political activities.

Both nominations appear secure, but the Senate Labor Committee has declined to schedule a confirmation hearing for Ms. Herman until it receives answers to written questions on her role in the coffees and other political activities. And Senate Majority Leader Trent Lott (R., Miss.) said that while he had initially viewed Ms. Herman as a good choice, he now believes her activities during the campaign are "awfully close to the edge of violating" the law, known as the Hatch Act.

Mr. Clinton wasn't asked about the nominations yesterday. But Monday, White House press secretary Michael McCurry said that Ms. Herman's public liaison office "was not used as a political office" and that "the president has strong support for the excellent nominee."



Alexis Herman

Since his inauguration last week, Mr. Clinton has sought to repair the damage to his and the party's reputation over allegations of improper fund raising, including taking contributions from foreigners. Last week, he said the party would no longer accept contributions of more than \$100,000 or contributions from U.S. residents who aren't American citizens. Yesterday, he reaffirmed his support for legislation introduced by Sens. John McCain (R., Ariz.) and Russ Feingold (D., Wis.) that would limit donations to political parties.

Mr. Clinton generally defended the coffees and other White House gatherings with donors. But he conceded there was a problem with a coffee for a group of bankers that was attended by Comptroller of the Currency Eugene Ludwig. Many of the bankers had donated tens of thousands of dollars to the Clinton campaign.

"In retrospect, since the [Democratic National Committee] sponsored it, I do not think the comptroller of the currency should have been there," he said.

Just hours after fielding questions about fund raising, Mr. Clinton was back on the money trail as the featured speaker at a \$1 million party fund-raiser here.

—David Rogers and Asra Q. Nomani contributed to this article.

Nominee to Head CIA Posted Profit From a Stock Deal

By PHIL KUNTZ
AND ROBERT S. GREENBERGER
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—Anthony Lake, former national security adviser who has been nominated to head the Central Intelligence Agency, made at least \$2,500 buying and selling stock in a natural-gas company last year after being told not to invest in the energy sector.

Clinton administration officials said Mr. Lake's financial adviser had bought stock in Williams Cos. without Mr. Lake's knowledge. They said the adviser sold it immediately after White House officials reminded Mr. Lake that owning energy stocks posed a possible conflict of interest because of his influence over foreign-policy matters. Mr. Lake's financial adviser then apologized in a letter to his client, the officials said.

Nevertheless, Mr. Lake still retains the services of the long-time adviser, one of the officials said.

Signed on Jan. 9

The transaction is outlined on a financial-disclosure statement signed by Mr. Lake on Jan. 9 and obtained by The Wall Street Journal yesterday. Mr. Lake's involvement in energy investments became an issue late last year when it was disclosed that he had delayed selling four energy-industry stocks for two years after being told by the White House to divest himself of the investments.

The delay allowed Mr. Lake to make a bigger profit on the shares because they increased in value. The Justice Department is looking into the delay. Mr. Lake blamed the delay on a secretary who, he said, failed to pass on a message to his financial adviser to sell the stocks.

Tulsa-based Williams Cos. runs the nation's largest-volume system of interstate natural-gas pipelines. Mr. Lake's disclosure form shows that he made between \$2,501 and \$5,000 in capital gains and dividends on the stock. Mr. Lake declined through a spokesman to comment on the matter.

'Monumental Screw-Up'

An administration official familiar with the stock trade characterized the financial adviser's decision to invest in the company after Mr. Lake had already been reminded by the White House to avoid such investments as "a monumental screw-up." The official said Mr. Lake was unaware that he owned the stock until it was sold. The official added that the White House has informed the Justice Department about the matter. An official at that agency declined to comment.

Mr. Lake's nomination to head the CIA already is clouded because of the delay in selling the other four stocks and his failure to disclose to Congress the Clinton administration's decision to, in effect, give Iran a green light to supply arms to Bosnia. A spokesman for the Senate Intelligence Committee said the panel is aware of the Williams Cos. transactions and "we are looking into this."

Closer To Wage Parity

The increases narrow but do not completely close the wage differential between the Sunshine and Keebler workers, the union reported.

In the pension area, however, benefits will be standardized for workers at all six plants over the course of the contract. Additional company contributions to the pension plan will permit the maximum pension benefit for former Sunshine workers to be raised to \$1,100 per month on Oct. 1, 1998; \$1,125 on Nov. 1, 1999; and \$1,150 on May 1, 2000.

The former Sunshine workers also gained a guarantee that their health benefits will be maintained at the current level for the term of the contract.

The other Keebler plants are located in Denver, Colo., Grand Rapids, Mich., Cincinnati, Ohio, and Macon, Ga.

Politics

1/29/97

Herman's White House Activities Under Scrutiny By Senate Leaders

Documents released last week by the White House have raised questions about whether former White House public liaison Alexis M. Herman, President Clinton's nominee for secretary of labor, violated the Hatch Act in arranging meetings between President Clinton and prominent individuals.

Herman reportedly played a key role in setting up meetings over coffee between the president and top business and labor leaders, including individuals who subsequently contributed to the president's re-election campaign.

Senate Majority Leader Trent Lott (R-Miss) said GOP leaders are concerned that the activities of Herman and others within the administration appeared to violate the act, which limits the time political appointees can spend on political activities to off-duty hours.

Lott was asked at a news conference whether Herman's confirmation was "in jeopardy over her fund-raising activities at the White House or for any other reason."

Responded Lott: "I don't know yet. I thought that she was a good choice for that position, and I communicated that last year to the White House." Lott added, however, that the latest information regarding Herman's role in arranging the White House meetings is "awfully close to the edge of violating the Hatch Act."

"I think we have to take a look at what she did and see if there are any problems," the Senate majority leader said. "Any time...something like this comes out, which certainly on its face appears bad judgment, at least, we have to see, is it more than that?"

Earlier Concerns

Lott also referred to "concerns" about Herman's conduct as a "contracting officer" in the final days of the Carter administration, but said the nominee "answered questions I had for her on that, and I feel like that there's no problem there."

The questions concern Herman's association with Ernest Green, who was assistant secretary of labor for employment and training while she headed the agency's Women's Bureau.

Green, who was charged with administering the Comprehensive Employment and Training Act, came under fire after the General Accounting Office found his agency awarded excessive contracts at the end of the Carter administration. The Labor Department's inspector general subsequently testified before the Senate Labor and Human Resources Committee that a firm Green founded with Herman after they left political office entered into contractual arrangements with certain recipients of DOL contracts.

Green denied that any illegal or politically inspired motives were involved in the last-minute contract awards, and a grand jury investigation failed to turn up evidence to the contrary. Close to 10 years after he left his Labor Department post, Green, a friend of President Clinton's and a native of Little Rock, Ark., went on to head the transition team at the Labor Department after Clinton was first elected.

Daschle Anticipates No Problems

Earlier Jan. 28, Senate Minority Leader Tom Daschle (D-SD) said he did not anticipate any problems that would prevent Herman's confirmation. "I don't have any reason to believe that her nomination is, at all, in doubt. She is prepared to answer all questions that senators may have with regard to her qualifications and her designs for the office. And I look forward to an early consideration of her nomination and, ultimately, confirmation," he said.

Sen. James M. Jeffords, chairman of the Senate Labor and Human Resources Committee, which is expected to consider Herman's nomination, said the committee is still collecting information in preparation for a hearing, which has not been scheduled. He said the Government Affairs Committee, chaired by Sen. Fred Thompson (R-Tenn), is also looking into Herman's role at the White House as part of the committee's investigation into possible campaign finance violations in last year's election.

Jeffords said the two committees are "working in coordination" so that when Thompson "gets into the areas of interest to us, he will share that information with us and we're helping him in trying to make sure the information he needs is available." Jeffords said he had drawn no conclusions from the documents released by the White House.

A White House spokesman denied that any of Herman's activities at the White House ran afoul of the Hatch Act. The White House has been "scrupulous in its adherence" to the statute's requirements, he said, maintaining that any "allowable political work" was conducted on Herman's own time.

Herman has been meeting privately with senators to answer any questions they may have prior to the confirmation hearing and subsequent vote by the Senate.

—By Court Gifford and Deborah Billings

SENATE PROBE?

Sen. Fred Thompson, Tennessee Republican and chairman of the Senate Governmental Affairs Committee, says his panel will consider investigating and holding hearings on the following questions:

- Whether the presidential campaigns, national political parties or others engaged in any illegal or improper campaign activities, or whether illegal campaign contributions were made to such entities, in connection with, or relevant to, the 1996 presidential campaign.
- Whether, during the course of the 1996 presidential campaign, executive-branch employees maintained and observed legal barriers between fund raising and the official business of governing.
- Whether presidential campaigns remained appropriately independent from the political activities pursued for their benefit by outside individuals or groups.
- Whether any U.S. policies or national security decisions were affected by (1) contributions made to or for the benefit of the president or (2) improper actions of any executive-branch employee or former employee.
- Whether existing campaign-finance laws, including laws governing the disclosure of contributions to entities established for the benefit of public officials, should be substantially revised and, if so, in what manner.
- Whether, based on the results of this investigation, laws other than campaign-finance laws, such as the laws regulating the conduct of federal officials, should be revised and, if so, in what manner.

The Washington Times

Lott has queries on Herman role in Clinton fund-raising meetings

REUTERS NEWS AGENCY

Senate Majority Leader Trent Lott said yesterday that Alexis Herman, President Clinton's nominee to be labor secretary, might have come close to violating the law in her work as a White House official.

Mr. Lott was commenting on Miss Herman's reported role in arranging private fund-raising meetings between Mr. Clinton and Vice President Al Gore and corporate executives.

Congressional Republicans say the nominations of Miss Herman, and Transportation Secretary-designate Rodney Slater could be in for a rough time in Senate confirmation hearings because of questions about apparent involvement in political activities.

"This latest information that has come out about arranging for meetings, appointments to the White House... gets awfully close to the edge of violating the Hatch Act," Mr. Lott said, referring to a law barring government officials from partisan activities.

Mr. Lott said he did not know if Miss Herman's nomination was in jeopardy and had thought she was a good choice for labor secretary.

"I think we have to take a look at what she did and see if there are any problems," he said. "I hope there are not."

He said that Miss Herman's activity "certainly on its face appears bad judgment," and that senators had to determine if it was anything more than that.

The Washington Times
WEDNESDAY, JANUARY 29, 1997

Politics and Alexis Herman

Alexis Herman's White House handlers ought to be advising her to buckle her seat belt. The Labor Secretary nominee is definitely going to be in for a bumpy confirmation ride.

At issue when Miss Herman faces the Senate Labor and Human Resources Committee will be her role in what seems to be an ever-broadening Clinton campaign-finance scandal. It seems, according to a sworn deposition by James Hackney, Ron Brown's Commerce Department counsel, that Miss Herman was involved in setting up White House briefings — with anyone and everyone from the president to then-Secretary of State Warren Christopher to Mr. Brown to the chairman of the Joint Chiefs of Staff — for corporate executives who were going on U.S. trade missions. OK. But — and this is what's raising eyebrows, on and off Capitol Hill — she also worked with finance staff from the Democratic National Committee, where she worked for Mr. Brown before taking her White House job, to bring many of the same executives and others from their companies back to the White House for some of the now-infamous 103 "coffees" with Bill Clinton, Al Gore, Hillary Clinton or Tipper Gore. The White House vehemently insists that those "coffees" were not fundraising events; but both the Los Angeles Times and the Boston Globe reported this week that most of those attending made large donations within days of the meetings — donations that added up to \$27 million. What really went on, and what was Miss Herman's role in it?

And precisely what, furthermore, was Miss Herman's role in *campaign* outreach from the White House to minority groups? According to a report produced by Miss Herman herself, for example, the outreach plan she designed included "An electronic fax network . . . established at the White House to distribute daily talking points, calendars of upcoming

events, stump speeches, descriptions of major legislative victories, agency accomplishments and other materials of potential interest to recipients. . . . Over 1,000 key African Americans are currently included on this network, and others will be added in the coming months. These materials are also being supplied to the DNC to include in their monthly newsletter and to supply members of the 'quick response teams' they are setting up."

Various Senate and House committees will be investigating the issue of the Clinton administration's apparent casualness about — if not outright flouting of — campaign-finance law. But those investigations, like the FBI investigation now being conducted, will be going long after the Herman issue is settled. The larger issue of pervasively illegal or improper conduct in the Clinton White House can't be permitted to overshadow the Senate's important task of deciding whether Alexis Herman is fit to be Labor Secretary.

What the Labor and Human Resources Committee needs to determine is this: Did Miss Herman's participation in setting up and hosting the coffees — whether they were fund-raisers or just political events — run afoul of the Hatch Act, which forbids government appointees to politick on government time? Did the fax network described in Miss Herman's outreach report comport with the ban on using government equipment for politicking? Was her close involvement in the conduct of Mr. Clinton's reelection campaign proper, even if it wasn't illegal?

A close examination of Miss Herman's activities at the Democratic National Committee and at the White House is surely in order — and Republicans on the committee have made it plain (not least by postponing setting a date for her hearing) that that's what they have in mind.

The Washington Times

WEDNESDAY, JANUARY 29, 1997

PRESIDENT REGRETS BANK REGULATOR ATTENDED COFFEE

CALLS AGAIN FOR CHANGE

But He Also Defends a Right to Meet With Donors, Then Heads to a Fund Raiser

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By ALISON MITCHELL

WASHINGTON, Jan. 28 — President Clinton acknowledged today that the White House should not have included the nation's senior banking regulator in a coffee session last spring where Mr. Clinton and prominent bankers discussed banking policy in the presence of the senior Democratic Party fund-raiser.

Speaking at the first news conference of his second term, Mr. Clinton repeated his calls to overhaul Federal campaign finance laws, and vigorously defended his right to meet with contributors.

"I never made a decision for anybody because they were contributors of mine," the President said.

As the subject of campaign finance came to dominate the news conference, Mr. Clinton defended political donations and his own appearance at a \$1 million Democratic fund-raising event later this evening.

"I do not believe you will ever get the politics out of politics," he said at one point. "And that's not bad."

But he also said he shared the views of Eugene Ludwig, the Comptroller of the Currency, who said through a spokesman last week that he had not known that officials of the Democratic National Committee would be attending the President's coffee with bankers and that he regretted his own participation. The coffee, held at the White House last May 13, was arranged by the Democratic committee.

"It would have been better if he had not been there," Mr. Clinton said of Mr. Ludwig. "Regulators should not come to meetings that are sponsored — that have any kind of political sponsorship, I don't think." [Excerpts, page B6.]

Mr. Clinton's remarks differed from those of Lanny J. Davis, a special White House counsel, who said just four days ago that the coffee was perfectly proper. Mr. Davis said today that he did not know on Friday that Mr. Ludwig had not been informed about the sponsorship of the event.

The President's comments also marked the second time in recent months that he had expressed second thoughts about one of the many White House coffees he had last year for people who had contributed to the Democratic Party or were considered fund-raising prospects. Late last year Mr. Clinton said it was "clearly inappropriate" for him to have met with the head of a Chinese weapons trading company who attended a February coffee.

Both the Democratic Party and the White House have been fielding questions about fund raising since the party last year returned more than \$1 million in questionable contributions raised by John Huang, then a party official. Congressional committees and the Justice Department are now investigating some of the party's fund-raisers and donors. Anticipating the subject, Mr. Clinton

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ton called in his opening statement today for Republicans and Democrats alike to seize the moment and clean up the campaign finance system this year. He repeated that call in more poignant language as the subject of campaign financing returned time and again throughout the news conference.

"Surely we can use this opportunity to make something positive come out of this," Mr. Clinton said. "Every one of us who has participated in this system, even if we did it because we thought we had to do it to survive or to just keep up, has to take some responsibility for its excesses. And I take mine."

The President argued that campaign finance laws enacted in the 1970's, in the wake of the Watergate scandal, had initially worked well but had become outmoded at a time when "there has been an explosion in ways of communicating with people and an exponential increase in the cost of communicating." At another point, he said:

"It costs so much money to pay for these campaigns that mistakes were made here by people who either did it deliberately or inadvertently. Now, others — it's up to others to decide whether those mistakes were made deliberately or inadvertently. It's up to me to do what I can to clean up the system."

In his standard response to questions about special prosecutors, the President declined to say whether he believed that Attorney General Janet Reno should seek the appointment of an independent counsel who would take over the department's inquiry into Democratic fund raising.

Asked how his call for more stringent laws squared with his planned attendance later in the evening at a Democratic "business council" reception for 70 people that was intended to raise \$1 million for the party, Mr. Clinton defended political giving.

"Under all conceivable campaign finance reform scenarios, it will still be necessary for the parties to raise some money," he said. "Neither party has the capacity to raise all their money from direct-mail campaigns and contributions of \$100 or less."

The President argued that "a huge percentage — way, way over 90 percent" — of the money brought in by both parties was raised "in a perfectly lawful fashion."

The New York Times

WEDNESDAY, JANUARY 29, 1997

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"The vast majority of the people who gave money to both the Democrats and the Republicans," he said, "were people who believed passionately in the course that those two parties were pursuing and the candidates."

In defending the White House coffees that he held with contributors and other supporters in the last two years, Mr. Clinton said that while he agreed that Mr. Ludwig should not have been present at the one with bankers, he saw nothing wrong with the participation of himself and Treasury Secretary Robert E. Rubin.

"I think it is an appropriate thing and can be a good thing for the President and for the Secretary of the Treasury to meet with a group of

The President reconsiders the line between fund-raising and governing.

bankers and listen to them and listen to their concerns," he said.

Speaking more generally of his interaction with donors, Mr. Clinton said that contributors received from him only "a respectful hearing if they have some concern about the issues."

"But nobody buys a guaranteed result," he added. "Nor should they ever."

Mr. Clinton also said that he had not known until he read newspaper accounts that Webster L. Hubbell, his former Associate Attorney General, had been hired by the Lippo Group after he resigned from the Justice Department, under investigation for defrauding former clients and law partners in Arkansas. Lippo, a banking and real estate conglomerate based in Indonesia, has been a focus of the Congressional and Justice Department inquiries into Democratic fund-raising practices.

"I knew nothing about it — no, none of us did — before it happened," the President said. Mr. Hubbell subsequently pleaded guilty to two felony counts of fraud and tax evasion.

The White House and the Democratic National Committee today

provided a few more details of the coffee Mr. Clinton held with the bankers last May, which Donald Fowler, the Democratic Party national chairman, and Marvin Rosen, the Democratic finance chairman, also attended.

Last Friday, a spokeswoman at the Democratic National Committee said that the guest list had been initially provided by Frank Newman, the chairman and chief executive of Bankers Trust, who was the Deputy Treasury Secretary during part of Mr. Clinton's first term. The spokeswoman, Amy Weiss Tobe, said Friday that Mr. Newman had provided the list to Richard Sullivan, the finance director of the D.N.C., who then submitted it to the White House.

Today Ms. Tobe said she had been in error and that Mr. Sullivan had not played a role in the arrangement of the meeting. She said that, according to Mr. Rosen, Mr. Newman prepared the list and then asked Mr. Rosen to "pass it along to the proper channels." The list was sent to the White House Political Affairs Office, according to D.N.C. and White House officials.

Mr. Davis said that the political affairs office turned the list over to the White House Office of Public Liaison, which revised the list and invited the guests "under the mistaken assumption that this was an official, not a D.N.C.-sponsored, event." He said it was the liaison office that invited Mr. Ludwig, the Comptroller of the Currency; Mr. Rubin, the Treasury Secretary, and John Hawke, the Deputy Treasury Secretary.

In his first comment on the meeting, Mr. Rubin said he did not recall whether he knew at the time if the D.N.C. was involved in arranging the session. "Not do I recall any particular reaction on my part to the D.N.C. officials' presence," Mr. Rubin said, in a statement issued by the Treasury Department. "Since I am not a regulator, their presence would not have been an issue."

Tonight, hours after his news conference, Mr. Clinton mingled at the Sheraton-Carlton Hotel with Democratic donors paying \$10,000 per person or \$15,000 per corporation. Gov. Roy Romer of Colorado, the new general chairman of the Democratic Party, noted its fund-raising controversy by joking that a night in the Lincoln bedroom was not much of a perk since Mr. Clinton insisted on talking all night to his guests.

The New York Times

WEDNESDAY, JANUARY 29, 1997

2/2

Clinton warned on executive privilege

By Judi Hasson
USA TODAY

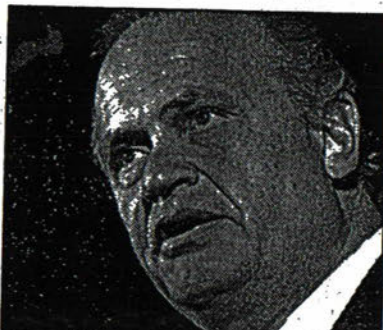
The chief Republican senator investigating the Democratic fund-raising scandal warned Tuesday that President Clinton should not try to claim executive privilege to shield embarrassing political information.

Sen. Fred Thompson, R-Tenn., promised a fair proceeding when the Senate Governmental Affairs Committee opens hearings into fund-raising activities involving the Democratic National Committee (DNC) and the White House.

But Republicans will go to court, he said, if the White House refuses to turn over any information.

"The extent to which we can have a thorough, bipartisan investigation ... is going to depend in large part upon the attitude of those in the White House and the executive branch," Thompson said on the Senate floor. "I cannot believe that the president does not want to get to the bottom of the serious allegations."

The White House has not tried to claim executive privilege, which allows the president to protect sensitive information about policy decisions, in this case. But the Clinton



By Mark Humphrey, AP

Thompson: Committee will investigate fund-raising activities

administration has invoked it in the past when asked to turn over documents related to the White House travel office controversy and the Whitewater land deal.

Thompson said the president can claim executive privilege only in military or diplomatic cases that could affect national security.

"The privilege does not extend to wrongdoing, and it does not extend to any and all information that may prove embarrassing to the president," Thompson said.

Thompson said his investigation will probe both Democratic and Re-

publican fund-raising activities to see if there was wrongdoing. "We must let the chips fall where they may," he said. "We are investigating activities, not political parties."

At a news conference Tuesday, Clinton promised full cooperation with Thompson. "I just want him to be fair," he said.

The Senate probe is expected to consume months of time and millions of dollars investigating whether money was illegally raised and donated to the 1996 presidential campaign. It may be several months before public hearings actually start.

Thompson's committee is only one of a number of investigations. The Justice Department and several other congressional panels are trying to determine whether campaign finance laws were broken.

At the center of the scandal is DNC fund-raiser John Huang, a former Commerce Department official, who was fired by the DNC after questions arose over his fund-raising activities. The DNC was forced to return \$1.5 million in questionable donations raised by Huang.

A Commerce Department official disclosed Tuesday that as part of intelligence briefings, Huang saw 15

classified field reports filed from overseas and wrote comments on them. Records show that Huang also received 12 finished intelligence reports while at the DNC.

Rep. Gerald Solomon, R-N.Y., has asked the FBI to review Huang's actions to determine if there was economic espionage involving a foreign corporation having direct ties to China.

In another development, Senate Majority Leader Trent Lott said that Alexis Herman, the president's nominee to be Labor secretary, might have violated the law while she worked as White House public liaison. Herman's reported role in arranging fund-raising meetings at the White House between Clinton and Vice President Gore and corporate executives has raised questions about whether she was doing political work while a federal employee.

USA TODAY
WEDNESDAY, JANUARY 29, 1997

FINAL

IN THE LOOP

House Hunting in London

By Al Kamen
Washington Post Staff Writer

As if things weren't bad enough for Swanee Hunt and the others on a long list to replace former Joint Chiefs chairman William Crowe Jr. as ambassador in London . . . Hunt, now ambassador to Vienna, and her husband stopped recently in London and stayed at Winfield House, the grand home used as the ambassador's residence.

The estimated 30,000-square-foot mansion, once home to Woolworth heiress Barbara Hutton, who gave it to the government in 1949, seemed just right, according to a source, who called the trip a "checking out the drapes," and "meeting with the embassy staff" visit.

But it is one thing to learn that Crowe, who had been thinking of coming home in May, is going to stay on into the fall. Now we learn that when he leaves, Winfield House, which was built in 1938, is to undergo a two-year renovation to take care of, among other things, some problems with asbestos. Work crews have been in there regularly making plans.

The State Department isn't sure if the ambassador is even going to be able to live there during the renovations. This could be a real problem, because there are so few places available that would be appropriate for the ambassador. Someone like Hunt, who has a piece of the Texas fortune, could find a castle, but we all know how drafty those can be.

Wait a minute. We know a guy in Lisbon who may have a cousin in London who could rent his place. . . .

The White House Shuffle . . .

■ There are considerable shufflings at the White House these days. At the counsel's office, incoming boss Charles F.C. Ruff will have some heavy timber. Lanny A. Breuer—can't have enough Lannies at the White House—a former assistant district attorney in New York and partner in Covington & Burling, moves in to take over handling the various investigations of White House wrongdoing, which was the job Jane Sherburne held.

Former D.C. Bar president Robert N. Weiner, a former associate independent counsel on the Wedtech investigation and partner at Arnold & Porter, will take a newly created job of senior counsel to Ruff and deputy counsels Cheryl Mills and Bruce Lindsey. Both Breuer and Weiner were hired by outgoing counsel Jack Quinn.

On the press front, Joe Lockhart, public relations consultant and more recently chief flak for the Clinton campaign, is moving to the White House to be senior adviser for special projects to press secretary Michael McCurry. Lockhart turned down some attractive and lucrative private sector offers, leading some of his new colleagues to begin wondering about him.

Lockhart's got no rank in the pecking order, but his first special project will be handling the confirmation hearings of the Cabinet members, which no doubt will focus on the increasingly troubled nomination of public liaison chief Alexis Herman to be labor secretary.

More White House Stuff . . .

■ Also at the White House, there was some talk

recently that Marcia Hale, head of the White House intergovernmental affairs office—and one of a relative handful of senior aides who managed to avoid the Erskine B. Bowles broom so far—would be moving soon to a senior job outside the White House, maybe something at the Federal Communications Commission.

Democratic strategist and former Iowa county official Lynn G. Cutler, seen as favored by Hillary Rodham Clinton, looked to be a likely replacement. But so was Frederick P. DuVal, another veteran pol who has been deputy chief of protocol at the State Department and was close to Vice President Gore. Gore proposed Cutler and DuVal to be deputies to Hale, who's got some openings in her shop of late.

The word du jour is that Hale's working on the National Governors' Association, which is in town this weekend, and is not going anywhere soon.

And Craig Smith, taking over the political operation, is bringing in two deputies: Karen Skelton, who's now Gore's political director, and Minyon Moore, political director at the Democratic National Committee.

Razor-Sharp Wits on Display at Alfalfa Club

■ There's still buzzing about the sharp barbs at the Annual Alfalfa Club dinner over the weekend. It was one thing for retired Gen. Colin L. Powell, a Republican, to toss some grenades at the Clintons, but even Democratic Sen. John D. "Jay" Rockefeller IV (W.Va.) got into the act, talking about first lady Hillary Clinton's great etiquette as she worked the crowd, asking people to "pardon me, pardon me, pardon me."

And Rockefeller recalled working with the first lady on health care reform, saying it was "truly a once in a lifetime experience . . . please, God."

At an earlier party, several people had warned Clinton about going to a place where Supreme Court Justice Sandra Day O'Connor, like all new members, was once called a "sprout," but noooooooooo . . .

House Judiciary Committee Counsel Retires

■ Alan Coffey, general counsel and staff director of the House Judiciary Committee, has decided to call it quits in March after 30 years of government service, including 25 in the House. Another longtime committee aide, Thomas E. Mooney, who's been on the committee since 1969, has been named to replace him.

Kevin Sabo, formerly general counsel of the House Government Reform and Oversight Committee, has defected to the Senate side, where he's now general counsel to the Senate Commerce, Science and Transportation Committee.

Ex-EEOC Chief Sued Under Ethics Act

■ Evan J. Kemp Jr., former chairman of the Equal Employment Opportunity Commission, was sued yesterday in federal court here by the government for failure to comply with the Ethics in Government Act, specifically, for not filing a financial disclosure form in 1993 covering his last year in office. He sent a photocopy of the 1991 report, saying his finances hadn't changed. But the feds said not enough, figuring something—speaking fees or whatever—must have changed.

CONFIRMATIONS: LOTT CASTS SHADOW OVER HERMAN

Senate Maj. Leader Trent Lott "cast a shadow" over Labor Sec.-designate Alexis Herman's nomination, saying her political activities while director of the WH Office of Public Liaison (OPL) may have run "awfully close to the edge" of violating federal law. Lott "said he did not know" if Herman's nomination was in trouble. GOPers are looking into Herman's efforts to mobilize minority support for Clinton and her office's invitation of Comptroller of the Currency Eugene Ludwig to a WH coffee with Clinton, top bankers and DNC officials. The WH has "strongly defended" Herman and has said any political work she did at the WH took place after she'd put in a full day on her gov't duties. But Lott "questioned" the WH position and said the "latest information" puts Herman "awfully close" to violating the Hatch Act. Senate Labor cmte chair Jim Jeffords (VT) has yet to schedule a confirmation hearing for Herman, which some regard as a "sign of trouble." But some Dems pointed out that presidents have used OPL as a "vehicle for campaign planning" for years, and argued that Herman's activities so far have not been shown to be "much more blatant" than those of previous GOP administrations (Wines, N.Y. TIMES, 1/29). A W. TIMES editorial editorial says

Press RETURN to continue, GOLD MENU for options or EXIT to cancel

(Wines, N.Y. TIMES, 1/29). A W. TIMES editorial says Herman's WH "handlers ought to be advising her to buckle her seat belt." Herman "is definitely going to be in for a bumpy confirmation ride" (1/29).

LAKE: Fed. officials have learned a broker for CIA dir.-designate Anthony Lake bought stock in an energy company for Lake in 9/96, "months after" the then-NSA thought he had sold all his energy-related stocks. Lake said the stock purchase was made without his knowledge and said the stock has been sold. The WH counsel's office had determined that ownership of energy stocks posed a "potential conflict of interest" for Lake as NSA. The discovery of the most recent purchase is "being weighed" as part of a DoJ probe into Lake's finances, but it is "unclear" what impact it will have on that investigation or on Lake's confirmation (Thomas, W. POST, 1/29). Lake made "at least" \$2,500 buying and selling the stock in Williams Cos., a natural gas company. Lake's financial adviser apologized to his client in a letter for making the purchase, but Lake "still retains" the services of the "long-time adviser" (Kuntz/Greengerger, W.S. JOURNAL, 1/29). Bush CIA-dir. Robert Gates makes the "Case for Confirming Anthony Lake" in the W.S. JOURNAL (1/29).

SLATER: Trans. Sec-designate Rodney Slater is "likely to

Press RETURN to continue, GOLD MENU for options or EXIT to cancel

Questions Raised by the Press
January 29, 1996

The Los Angeles Times, USA Today, BNA, The Wallstreet Journal, NY Times and The Washington Times all picked up Lott's remarks yesterday that Alexis' role in arranging White House meetings was awfully close to violating the Hatch Act.

The Wallstreet Journal

Clinton Defends His Fund Raising, Including Coffees - Hilary Stout

- Alexis (and Rodney) developed a strategy for courting black voters last year.
- Alexis appeared to have a role in organizing some of the coffees. Some congressional R's charge Alexis (and Rodney) may have violated the Hatch Act.
- Both nominations seem secure but Labor Committee declined to schedule hearing until it receives answers to written questions on her role in the coffees and other political activities.
- Lott said that while he had initially viewed Alexis as a good choice, he now believe her activities during the campaign are "awfully close to the edge of violating" the Hatch Act.

The New York Times

Hints of a Possible Cloud Over Labor Appointment - Michael Wines

- Lott cast a shadow today over Alexis' nomination saying her political activities at the WH may have violated federal law.
- Alexis, until recently POTUS' liaison to ethnic groups and constituent groups was identified in WH files released last week as a leading organizer of those groups on behalf of Clinton's 1996 re-election campaign. Among other activities, the documents state, she prepared a plan to recruit black supporters by inviting black community leaders to meet POTUS at the WH.
- Alexis' office invited Ludwig to a much-criticized meeting last May with bankers and fundraisers. The WH says she put in 40 hours before doing any political work.
- Lott quote about Hatch Act. Lott said he didn't know if her confirmation was in jeopardy.
- Some regard fact that Jeffords hasn't scheduled hearings as trouble.
- One senior Democratic aide said that OPL has been used for years by President's as a vehicle for campaign planning and said Alexis' political activities are no more blatant then those in R administrations.

New York Times

President Regrets Bank Regulator Attended Coffee - Alison Mitchell

- Buried on page 2 of the article: "Mr. Davis said that he political affairs office turned the list over to OPL, which revised the list and invited the guests "under the mistaken assumption that this was an official, not a DNC-sponsored, event."

BNA

Herman's White House Activities Under Scrutiny By Senate Leaders - Court Gifford and Deborah Billings

- Documents released by WH last week raised questions about whether Alexis violated Hatch Act.

- Alexis reportedly played a key role in setting up meetings over coffee., including individuals who subsequently contributed to the campaign.

- Lott quote.

- Lott said Alexis had "answered questions I had for him on that (role in handing out contracts at Labor), and I feel like that there's no problem there. Also said grand jury investigation failed to turn up evidence to the contrary. We should use this when people bring the CETA issue up.

- Quoted "WH spokesman" as denying Alexis' ran afoul of Hatch Act.

Reuters News Agency (Washington Times carried)

Lott has queries on Herman role in Clinton fund-raising meetings

- Lott on Hatch Act, Alexis' role in arranging private fund-raising meetings, questions about apparent involvement in political activities, they have to look at activities but hopes there is nothing there.

Washington Times

Politics and Alexis Herman - editorial

- Used Hackney again saying Alexis involved in setting up WH briefings for execs on trade missions.

- Also worked with finance staff from DNC where she worked for Brown to bring same execs back to WH for coffees.

- Both LA Times and Boston Globe reported yesterday this week that those attending made large donations within days of the meetings: \$27 million. "What really went on, and what was Miss Herman's role?"

- Did Alexis' role in setting up and hosting coffees violate Hatch Act?

- According to a report produced by Herman herself, the outreach plan she designed included "An electronic fax network...established at the WH to distribute daily talking points, calendar of events.." Did the fax network comport with the ban on using government equipment for politicking?

- Was her closed involvement in the conduct of POTUS' reelection proper, even if it wasn't illegal?

THE NEW REPUBLIC

April 28, 1996



A Weekly Journal of Opinion

DISHONEST LABOR

by Jonathan Chait

Richard Shelby has distinguished himself in the United States Senate mainly by his passionate and oft-professed hatred for the Clinton administration. Indeed, he has made a career out of Clinton-hating, once proclaiming gleefully that his animosity for the president formed the basis of his popularity in his home state of Alabama. In February 1993, before other Democrats had even polished off the leftover champagne from Clinton's inauguration, Shelby attacked the White House for raising taxes. Clinton retaliated by moving ninety NASA jobs out of Alabama. The relationship went downhill from there. Just after the 1994 elections, Shelby shed his last Democratic vestiges and joined the Republican Party. Like Strom Thurmond and other Dixiecrat-turned-Republicans, Shelby took to the GOP faith with more fervor than most lifetime believers. As a reward, his new party handed him the

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chairmanship of the Intelligence Committee, from which Shelby resumed his antipathetic ways: over the last two months he almost single-handedly harangued Anthony Lake into forsaking his nomination for CIA director.

On March 19, still basking in the afterglow of Lake's demise, Shelby spoke before the Senate Labor and Human Resources Committee, which had gathered to decide the fate of another controversial Clinton nominee, Labor Secretary-designate Alexis Herman. On this occasion, however, Shelby came to praise, not bury, a Clinton nominee. In proud, almost pious tones, he introduced Herman as if she were a conservative convert. "She's worked in the vineyards," he declared. "She's worked in the Democratic Party. She's worked in the White House. She has earned her way the hard way: by hard work." Shelby wasn't the only senator cooing. Other, normally belligerent Republicans burred equal goodwill. Their few forays into the known areas of controversy regarding Herman were so polite as to be almost apologetic. The four-and-a-half-hour love-in ended in smiles and mutual praise, the prelude to an expected overwhelming confirmation by the Senate.

How striking is the contrast

The New Republic: DISHONEST LABOR

<http://www.mpsa.com/magazine/pdf/current/heran042997.html>

between Herman's cruise to confirmation and the experiences of other Clinton appointees. Nomination struggles have plagued Clinton from the beginning, Lake's ordeal providing only the most recent example. To be sure, the Senate has given a bye to a few Clinton nominees. But these exceptions, like Madeleine Albright or William Cohen, arrived with impressive resumes, untainted by scandal. Herman, by marked contrast, is perhaps the least qualified--and certainly the most scandal-plagued--nominee that Clinton has put forth over the course of his presidency. Her harmonious confirmation is not merely curious, but perverse: the intellectual and ethical debasements that ought to have disqualified Herman are the very things that have saved her.

It would not be quite accurate to say that Herman's political career has been tainted by cronyism. Her political career is cronyism. For Herman, it seems, government has meant little more than a way to enrich herself and her friends. Herman's Washington career dates back to the Carter administration, where she headed the Women's Bureau of the Department of Labor. There she linked up with Little Rock civil rights pioneer and Clinton friend Ernest Green, who ran the department's Employment and

Training Administration (and who is currently playing a supporting role in the Clinton fund-raising scandals). Following the 1980 presidential election, the department frantically shoveled millions of dollars in grant money out the door before the Reagan administration could take over. The largest grants went to two sources: a training program that employed Green and Herman before their Labor tenure, and a youth training program run by Jesse Jackson, a close Herman friend. In 1981, Green and Herman formed a diversity consulting firm, Green-Herman & Associates Inc., which got a quick boost from Jackson. In those years, the reverend frequently threatened boycotts of companies he deemed insufficiently diverse. When Jackson's targets sued for peace, according to media accounts, he recommended that they hire Green-Herman & Associates.

The diversity consulting business proved lucrative for Green & Herman. Corporations hire diversity consultants mainly to avoid lawsuits. Thus, the two enjoyed a particular advantage: as consultants, they could sell advice on complying with the affirmative action laws that, as government officials, they had enforced.

One way to comply with those laws, it turned out, was to give

Alexis Herman a great deal of money. Bob Mendelsohn, a real-estate developer who had met Herman while he was working for the Interior Department under Carter, quickly figured this out. In 1986, he gave her a 3.34 percent stake in his venture to build a complex of offices and condominiums in downtown Washington. Herman sold part of her holding and recently valued the rest at somewhere between \$500,000 and \$1 million, a strong return for an investment of zero dollars. Mendelsohn handed out similar deals to two other limited partners, bringing the minority ownership to 10 percent, in order to comply with federal affirmative action guidelines. Mendelsohn could have bestowed this windfall upon any number of more needy black Washingtonians. But Herman had something that escaped her less fortunate cohabitants: a tight relationship with Washington Mayor Marion Barry, who held considerable sway over which firms received building contracts in the district. Mendelsohn later insisted that Herman's clout played no part in his decision.

In 1989, Herman became chief of staff at the Democratic National Committee, working directly under another mentor, Ron Brown, then party chair, later secretary of Commerce. Her firm, now A.H. Herman & Associates

(Green had gone into investment banking), remained under her control. The next year Mendelsohn hired her firm to help him win an even bigger contract. For \$600,000, A. H. Herman designed Mendelsohn's affirmative action plan. Mendelsohn won the fiercely contested contract, although his company had been underbid by hundreds of millions of dollars and had given what one knowledgeable insider described as a vastly inferior proposal. Mendelsohn claims that Herman's post at the DNC played no role in either his decision to hire her or the government's decision to award the contract to Mendelsohn.

Later, the Mendelsohn-Herman building deal came under fire in Congress-- because, ironically, some congressmen thought its affirmative action program was not aggressive enough. According to numerous press accounts at the time, Herman took her DNC clout to the Hill to lobby for continued funding, a move widely criticized as a conflict of interest. Herman recently wrote to the Senate Labor Committee that she has "no recollection of lobbying either Members of Congress or their staffs." Her spokesman, Joe Lockhart, has denied outright that she lobbied for Mendelsohn. But, according to a 1990 article in The Washington Business Journal,

"sources at the House Government Operations Committee" maintained that Herman "did not hesitate to appear at meetings between legislative aides and the Delta Team [Mendelsohn's group]." The article reported that Mendelsohn had "said he had asked Herman to go to the Hill to address concerns about minority participation in the project because she had written the plan." Mendelsohn now denies having asked Herman to lobby and insists the 1990 article "got a lot of things wrong." Despite the alleged conflict of interest, Herman's political stock continued to rise. With Ron Brown devoting much of his time to fund-raising, Herman ran the day-to-day operations of the 1992 convention. It was not unrewarded labor. A U.S. News & World Report story the following year reported that she enjoyed frequent limousine service—over \$6,000 worth during one two-week stretch alone—and \$3,500-per-month rent, all on the party's dime. In late 1993, after becoming White House director of public liaison, Herman sold her firm to longtime friend Vanessa Weaver. Then, while working at the Office of Public Liaison, Herman recommended—as she later admitted in a written response to the Senate Labor Committee—that both Weaver and Weaver's sister be included on a trade mission to Mexico. The

sisters were so included, and later donated \$25,000 apiece to the DNC.

But the business relationship between Herman and the Weaver sisters apparently goes back even further. According to payroll documents, the DNC paid Weaver \$15,000 in consulting fees during the 1992 convention run by Herman. Neither several former convention staffers nor Lockhart were able to say, when asked, what precisely Weaver did to earn her money. According to the 1992 DNC Employee Handbook, Herman had responsibility for reviewing all contracts, meaning that, at minimum, she approved hiring Weaver. Why does this matter? Because it appears to contradict her written responses to questions posed by the Senate Labor Committee. When asked if she had "extend[ed] any courtesy or provide[d] any benefit" to Weaver before or after the selling of A.H. Herman & Associates, Herman replied that she had not. Lockhart, questioned, argued that it didn't matter if Herman had misstated the truth to the Senate. "If you contract someone and they do the work," he said, "I don't see how that's a benefit." Herman declined, through Lockhart, to be interviewed prior to confirmation.

Herman won the nomination for secretary of Labor from Clinton at

least in part for the same reason she got her first big deal from Mendelsohn: the president needed to fill a quota. Ron Brown's unexpected death in April 1996, and the departure of Hazel O'Leary and Mike Espy, had left the Clinton Cabinet with just one African American, and no black women. But, as in her building deal, Herman had more than her sex and race going for her. She benefited, once again, from political cronyism. In this instance, her old friend and consulting ally Jesse Jackson lobbied Clinton to pick her.

Herman's nomination represents a marked ideological shift in the administration's economic thinking. During the first term, Labor Secretary Robert Reich's liberalism counterbalanced the moderate Wall Street impulses of Treasury Secretary Robert Rubin. Reich's influence stemmed from both his academic heft and from his long-standing relationship with Clinton. Herman, with neither, could not dream of challenging Rubin. "It's like the New York Yankees against Farm Team To Be Determined," laughs an administration official.

Its seat at the table sacrificed for the sake of diversity, organized labor went through the classic stages of grievous loss. First, denial. Labor leaders, refusing to accept the finality of Clinton's

choice, preferred former Pennsylvania Senator Harris Wofford as an alternative. When Wofford didn't fly, labor threw its support, in quick succession, behind Esteban Edward Torres and Alan Wheat, both minorities with pro-union records in Congress. These progressively more humiliating failures hastened the second stage: anger. "The not-for-attribution comments of labor leaders I talked to the day of Herman's appointment ranged from rage to--well, rage," wrote liberal columnist Harold Meyerson in *The Sacramento Bee*. The third stage: bargaining. *afl-cio* President John Sweeney met with Jackson and Clinton. Though none could confirm it, several labor officials privately expressed a belief that the administration had granted Sweeney more say in staffing lower-level jobs at Labor. This led, at last, to: acceptance. "Once it became clear that the administration chose Herman, there was no point in opposing her," sighs one labor official. *afl-cio* officials now maintain, somewhat ahistorically, that their support for Wofford was based on a big misunderstanding: they would have picked Herman first if only they had known she wanted the job.

With the Democratic coalition in line, Herman's fate now rested with the Senate. Nominally, her

key hurdle was the Senate Labor Committee, chaired by Jim Jeffords of Vermont. In reality, it was up to Majority Leader Trent Lott, who initially resisted granting the chairmanship to the moderate Jeffords. Jeffords won the chair, which he had earned by seniority, only by agreeing to defer to the leadership's wishes on any important matters. In February, Lott bottled up Herman's nomination in order to force Democrats to allow a vote on a "comp time" bill that would permit employers to substitute extra vacations for overtime pay.

Seeking a pretext for delaying Herman's hearings, Lott ruminated publicly over her role in organizing White House coffee sessions with potential donors. Many of those donors were black. When a reporter questioned McCurry about this, he pounced: "I can't believe the majority leader would suggest she's disqualified from serving as secretary of Labor because she attempted to encourage African Americans to participate in the political life of this nation." Lott, who had suggested nothing of the sort, fumed. But the White House had Lott where it wanted him. The Herman nomination became a civil rights issue. They had thrust Lott into his nightmare role of George Wallace, blocking the doorway of the Labor Department. African American

and feminist organizations rushed to the White House to attack Republican delay. Even the all-oio chimed in, demanding "immediate hearings on the nomination of this African American woman."

Republicans, it turns out, were all too happy to oblige. And here lies the true perversity of Herman's nomination: Congress, in the position of helping to select its foe, wants a pathetic Labor secretary. The previous one, Reich, helped Clinton push through a higher minimum wage, which most Republicans consider the low point of their last Congress. Reich's successor will be charged with fighting Republican efforts to pass legislation limiting unions' powers to negotiate in the workplace and organize politically. Therefore, the worse the secretary, the more scandal-plagued and the less policy-focused, the better. Herman's lack of qualifications became, ironically, her strongest qualification. "She will be an ineffective Labor secretary," explains a conservative activist who works closely with Senate Republicans. "There's just a general view that 'What damage can she do us? If we put somebody else in there who's effective, it'll be a much bigger headache.'"

Indeed, Republicans are happy to

support Herman's sort of liberalism because it restricts government largesse to ever fewer, ever less-deserving beneficiaries. It costs much less to enrich a tiny coterie of wellconnected African Americans than to improve ordinary black lives. Clinton's relegation of Reich's chair to a quota slot is itself an act of Hermanism. The Labor Department won't do much for the working poor, but it will at least do well by Alexis Herman.

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Divider Title: Jan. 28, 1997

Questions Raised

Washington Times - January 28, 1997

I. Trade Missions and Fund-Raising Link

George Archibald Article: "Nominee linked to fund-raising efforts"

- She was at the center of foreign trade missions organized by Sec. Brown and linked to Dem fund-raising operations.
- Lined up briefings for corp execs tapped for trade missions (attributed to Hackney).
*** Important to note that Hackney said AMH "kept in touch with business community to discuss what their concerns were, what they were thinking...She brought them in for meetings at the White House to talk to the president." ***
- Many of same execs were later brought back to WH for private fund-raising coffees organized by AMH and DNC finance staff.
- Prior to trade missions to China, Hong Kong, Russia, Latin America, South Africa, and other countries, AMH and Commerce officials "arranged for businesses that were going on particular mission to be briefed by the WH or to see the president before the mission got under way," Hackney said.

II. Charities for Political Purposes

Lance Gay Article: "Clinton officials targeted charities"

- "Documents show WH aides developed plans last year to energize nonprofit groups to work for Pres. Clinton's re-election." Developed under AMH.
- ***Important to note that "One of the plans notes that using nonprofit, religious and ethnic organizations for political purposes might pose legal problems, said the documents released by the WH."
- "...government employees were encouraged to use organizations ranging from the Spina Bifida Assoc to the Nat'l Council of La Raza and the A. Phillip Randolph Institute to find "surrogates" that could be used to disseminate Democratic campaign materials, letters to the editor, and for "producing third party horror stories on what will happen if the president's proposals are not carried out."
- ***Important to note that one document points out that none of the AA for Clinton steering committee are permitted to raise funds for re-elect because of fed'l election laws.***

- McCurry said plans were devised to reach out to neglected groups.
- Quotes from non-profits said they were approached by DNC not WH (Tom Albert's name used).

III. Fundraising / Hatch Act

Paul Bedard Article: "Racial tactics, travel by Slater questioned" (Working Group / Fund-raising)

- Working group led by AMH. "...her involvement in the growing Democratic fund-raising controversy have jeopardized her confirmation, Senate officials said."

IV. Fund-Raising / White House

Washington Post, January 28, 1997

Clay Chandler / Frank Swoboda Article: GOP Wants Regulator's Documents (Fund-Raising)

- Republicans also said they would put off scheduling confirmation hearings for AMH until she answers questions about her role in WH political fund-raising efforts.

Nominee linked to fund-raising efforts

Herman's Commerce liaison duties may have violated Hatch Act ban

By George Archibald
THE WASHINGTON TIMES

Alexis M. Herman, President Clinton's nominee to be labor secretary, was at the center of foreign trade missions organized by the late Commerce Secretary Ronald H. Brown and linked to Democratic fund-raising operations.

Miss Herman, as head of the White House Office of Public Liaison, lined up briefings with Mr. Clinton and Vice President Al Gore for corporate executives tapped for trade missions, according to court-ordered testimony by James Hackney, Mr. Brown's counsel at the Commerce Department.

Many of the same executives and top officials of their corporations were later brought back to the White House for private fund-raising coffees with Mr. Clinton and Mr. Gore, organized by Miss Herman's office and the DNC's finance staff, according to White House documents released Friday following Mr. Hackney's Jan. 21 testimony.

Joe Karpinski, spokesman for the Senate Labor and Human Resources Committee, said it may be "a few weeks" before a hearing on the Herman nomination is scheduled. "We'd like to have one as soon

"Every once in a while, as we were trying to identify who was interested in participating on the mission, someone might have said, 'Oh, this is a Democrat.'"

—James Hackney

as possible, but they dumped this material on us Friday and we're still evaluating it."

Republican aides say the committee needs time to search documents to see what turns up on the nominee. They also want to send a message to the White House that Miss Herman will face tough questioning on her role in the Democratic fund-raising operation and her possible violation of the Hatch Act.

In his five-hour deposition, Mr. Hackney acknowledged that affiliation with the Democratic Party was a factor in selecting corporate participants in Mr. Brown's trade missions.

"Every once in a while, as we were trying to identify who was interested in participating on the mission, someone might have said, 'Oh, this is a Democrat.' It was part of the identification," Mr. Hackney

said. "It was not a criteria for selection. ... I don't think we gave Democratic contributors any preference."

Miss Herman "kept in touch with the business community to discuss what their concerns were, what they were thinking," he said. "She brought them in for meetings at the White House to talk to the president."

Prior to administration trade missions to China, Hong Kong, Russia, Latin America, South Africa, and other countries, Miss Herman and Commerce officials "arranged for businesses that were going on a particular mission to be briefed by the White House or to see the president before the mission got under way," Mr. Hackney said.

The briefings included presidential aides and officials from the National Security Council,

Commerce Department, U.S. Export-Import Bank and Pentagon, he said. Briefings with the president and vice president usually included Mr. Brown, Secretary of State Warren Christopher, Secretary of Defense William Perry, and the chairman of the Joint Chiefs of Staff, he said.

Miss Herman did not respond to a request for comment yesterday. Before joining the administration in 1993, she was Mr. Brown's deputy when he was Democratic National Committee chairman.

Miss Herman also played a key role in the career of Melissa Moss, Mr. Brown's director of business liaison and chief trade mission organizer at Commerce. Miss Moss, the DNC's finance director under Mr. Brown, testified in a deposition Oct. 10 that she was interviewed by Miss Herman before Mr. Brown formally offered her the DNC post in 1990.

Mr. Hackney, who was Mr. Brown's closest friend and adviser at Commerce, conceded that the secretary mixed political activities with his official duties and attended Democratic fund-raising events "in and out of Washington."

"The White House would call and ask the Cabinet secretary to attend the fund-raising event and,

if it was in his schedule, go ahead and do it," Mr. Hackney testified. He said Mr. Brown's secretary listed Democratic fund-raising events on the secretary's official daily schedules.

Mr. Hackney's testimony was released by Judicial Watch, a legal ethics watchdog group, which has charged in a federal lawsuit that the administration is covering up a scheme to sell government backing for commercial ventures abroad in exchange for corporate contributions to the Democratic Party.

• Brian Blomquist contributed to this report.

John P. Ryan
Vilma Cutler

Clinton officials targeted charities

By Lance Gay
SCRIPPS HOWARD NEWS SERVICE

Newt Gingrich isn't alone in using tax-exempt organizations for political purposes. Documents show White House aides developed plans last year to energize nonprofit groups to work for President Clinton's re-election.

The plans were developed under Mr. Clinton's assistant for public liaison, Alexis Herman, whom Mr. Clinton last month nominated to be his new secretary of labor.

One of the plans notes that using nonprofit, religious and ethnic organizations for political purposes might pose legal problems, said the documents released by the White House. Some of the nonprofits approached said they told the Democratic National Committee they could not be involved in political campaigns because that could cost them their tax-exempt status under federal tax laws.

The DNC used at least one nonprofit organization for fund-raising activities when Vice President Al Gore appeared at the Los Angeles Hsi Lai Buddhist Temple last April, which raised \$140,000. The event was organized by DNC fund-raiser John Huang, now at the center of a political storm over DNC fund-raising practices. The DNC returned the funds.

Section 501(c)3 of the Internal Revenue Code forbids nonprofit organizations to be involved in any political activities. Most 501(c)3 organizations are churches, charities or educational institutions.

According to the White House plans, included in a 6-inch-thick package turned over to congressional committees investigating DNC fund raising, government employees were encouraged to use organizations ranging from the Spina Bifida Association to the National Council of La Raza and the A. Phillip Randolph Institute to find "surrogates" that could be used to disseminate Democratic campaign materials, letters to the editor, and for "producing third-party horror stories on what will happen if the president's proposals are not carried out," one document said.

"Legally, none of the African-Americans for Clinton steering committees are permitted to separately raise funds from the Re-elect [Clinton-Gore '96] to pay for outreach programs — because of the federal election laws," says the document on spurring support from black American groups.

White House Press Secretary Michael McCurry defended Miss Herman's involvement in the campaign, which White House aides say was done legally after she had completed her regular work.

The plans to engage ethnic groups in the campaign were devised to reach out to neglected groups, he said. "That strikes me as good politics, good policy, and good for the democracy," Mr. McCurry said.

DNC spokeswoman Amy Weiss Tobe said the DNC did not contact the organizations, but individual officials within the organizations. "To compare this to Newt Gingrich as a joke," she said. Mr. Gingrich, she stressed, was running the tax-free foundations he tapped for political purposes.

David Marzahl, director of the Illinois Coalition for Immigrant and Refugee Protection, said the DNC's director of ethnic outreach, Thomas Albert, approached his group last year for help in contacting ethnic groups interested in immigration issues, but he was cautious about cooperating with political groups because it might jeopardize the organization's tax-exempt status.

"There were some plans to put on a naturalization ceremony in August on the Saturday before the DNC convention, but we were careful about any partisan overtones," Mr. Marzahl said. The event was held, but with both Republicans and Democrats in attendance, and without associations with the DNC, he said.

The Washington Times
TUESDAY, JANUARY 28, 1997

Racial tactics, travel by Slater questioned

But Transportation pick is still on track

By Paul Bedard
THE WASHINGTON TIMES

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The easy road to confirmation as transportation secretary for Rodney Slater has turned rocky amid Senate concerns about his travel and participation in a reelection project to warn blacks about voting Republican.

Senate officials said Mr. Slater's confirmation hearing tomorrow before the Commerce, Science and Transportation Committee also will probe administration plans to peel off a half-cent of the federal gasoline tax to subsidize

Amtrak and his role in the 1980s in efforts to win black support for Bill Clinton's gubernatorial bids.

Despite the concerns with the longtime Clinton ally and head of the Federal Highway Administration, his nomination is expected to win the approval of the transportation committee, headed by Sen. John McCain, Arizona Republican, panel associates say.

"Up here he's viewed as the best

see SLATER, page A12

SLATER

From page A1

appointee they have in Transportation," said a congressional official who has worked with Mr. Slater.

But Mr. Slater's involvement in a voter-outreach project targeting blacks by demonizing Republicans has angered some committee members, including Mr. McCain. They have accused the president of using race-baiting tactics in the last election.

An election-year report by the African American Working Group urged black administration officials to travel the country in their official capacity to slam the House GOP's "Contract With America" and dub Republicans "enemies of civil rights."

The working group was led by Alexis Herman, director of the White House Office of Public Liaison, and included Mr. Slater and other top blacks in the administration.

Miss Herman has been nominated to head the Labor Department, but her chairmanship of the group that produced the voter-outreach report and her involvement in the growing Democratic fund-raising controversy have jeopardized her confirmation, Senate officials said.

White House Press Secretary Michael McCurry said the president is not concerned about his nominee, and a Slater associate said "I'm not picking up a lot of alarm" about the Transportation Department nomination.

Questions about the voter-outreach project, combined with Mr. Slater's penchant for travel, have prompted the panel to study his trips around the country, especially during election campaigns.

The voter-outreach report

"Up here he's viewed as the best appointee they have in Transportation," a congressional official said.

named Mr. Slater as a top administration surrogate.

"Agency surrogates will carry out these activities as part of their normal job duties in 1996. That is, they will be helping to educate the African American public and key interest groups about Clinton administration accomplishments — not campaigning," the report said.

Mr. Slater has been one of the administration's most traveled officials, although a House Appropriations Committee investigation found few problems.

That panel reviewed his travel in fiscal 1995 and found that 48 trips took him out of town for 116 days. A review provided to the Senate put the cost of the trips at \$30,198.

Mr. Slater said only five of those trips had political aspects. Usually he traveled to survey flood damage, attend road conferences, open roads or announce federal highway spending.

He took several political trips last year, but the Democratic National Committee picked up the costs, a spokesman said.

Mr. Slater, who enjoys a good relationship with congressional committees with oversight of his agency, also faces questions at his hearing over his apparent support for devoting a half-penny of the federal gas tax to Amtrak.

Some Senate transportation committee members have ques-

tioned why taxpayers with no access to Amtrak should subsidize the system, whose highest ridership is in the Northeast.

Another issue that may be raised is Mr. Slater's long political relationship with President Clinton and his actions in wooing blacks in Arkansas gubernatorial races.

In 1984, for example, he was Mr. Clinton's point man in an effort to generate a high black vote in the Little Rock area for the gubernatorial election and played an active role in get-out-the-vote activities.

During the election, Clinton campaign workers handed out "walking-around money" — a legal practice at the time in Arkansas — to reward blacks who voted for the governor.

Mr. Slater, however, is expected to tell the committee that he did not handle cash during get-out-the-vote projects, an associate said.

• Brian Blomquist contributed to this report.

The Washington Times
TUESDAY, JANUARY 28, 1997

GOP Wants Regulator's Documents

White House Meeting With Bankers Assailed

By Clay Chandler
and Frank Swoboda
Washington Post Staff Writers

Congressional Republicans demanded yesterday that top banking regulator Eugene Ludwig turn over all documents relating to a White House meeting he attended last year with President Clinton, Democratic fund-raisers and 17 prominent banking executives.

Republicans also said they would put off scheduling confirmation hearings for Clinton's labor secretary nominee, Alexis Herman, until she answers written questions about her role in White House political fund-raising efforts.

Rep. Spencer Bachus (R-Ala.), chairman of a House subcommittee on banking and financial services, requested the documents about the meeting in a letter to Ludwig, the comptroller of the currency.

Ludwig said Friday he regretted attending the meeting and would not have done so if he had known it was organized by Democratic Party officials. He also said he was invited by the White House Office of Public Liaison, which was then headed by Herman.

White House press secretary Michael McCurry dismissed suggestions that Herman's activities as White House liaison had jeopardized her nomination. "That office was not used as a political office," McCurry said. "The president has strong support for the excellent nominee he's put forward for secretary of labor."

Ludwig was one of several top administration officials who attended a May 13 "coffee" with President Clinton and the banking executives, according to documents released Friday by the White House. Republicans and public interest groups have condemned the meeting as inappropriate. Critics also have questioned whether the meeting violated the Hatch Act, which prohibits political activity by federal employees during work hours using government facilities. A White House spokesman has said the administration did nothing inappropriate.

"I know that you share my view that even the mere appearance of political influence being exerted on the bank regulatory process should be scrupulously avoided," Bachus wrote Ludwig.

Ludwig was in Paris yesterday and unavailable for comment. But his spokesman, Lee Cross, said Ludwig's office was actively assembling the requested documents.

Bachus asked Ludwig to provide his committee with all documents related to his participation in the meeting; an account of what was discussed, including a list of issues raised by the banking executives; and a list of other DNC-organized gatherings that he has attended since taking office.

The letter also asks Ludwig to describe any contacts between DNC officials and members of his senior staff, and state whether, during his tenure, he has discussed political contributions with administration officials or executives from the banking industry.

The May 13 meeting also included Treasury Secretary Robert E. Rubin and his undersecretary for monetary affairs, John Hawke. Rubin's spokesman, Calvin Mitchell, said yesterday that the treasury secretary "had no knowledge that the meeting was a DNC event." Mitchell said that while Rubin, a former Wall Street investment banker and a leading fund-raiser in Clinton's first presidential campaign, is well acquainted with top Democratic fund-raisers, he saw nothing wrong with participating in a meeting where they were present.

As treasury secretary, Rubin has no regulatory authority in cases involving individual banks, but he has a strong voice in setting the administration's legislative agenda on broader banking issues.

Herman, one of two African Americans nominated to Clinton's second-term Cabinet, is a former DNC chief of staff. In her public liaison role, Herman was responsible for arranging many White House meetings with various political supporters.

One of the documents released last Friday by the White House was a lengthy report by a political working group chaired by Herman recommending ways to solidify support for Clinton and other Democratic candidates among African Americans.

The report called for the creation of African American Leadership Forum, whose members "would be afforded the opportunity to interact with senior administration officials and the Democratic Party's political leadership through policy briefings, luncheons and workgroups." The Herman report went on to say that the names of forum members "would be shared with the White House and invited to briefings. In addition, the DNC will need to ensure that contributors receive personal attention beyond personal invitations to White House affairs."

Senate Labor Committee officials indicate Herman's confirmation hearings could be put off until late February. A committee official said the staff is still working on the questionnaire plans to send Herman.

The Washington Post

TUESDAY, JANUARY 28, 1997

- **Consumer confidence rose to a 7-year high** in January after the third consecutive monthly increase, the Conference Board reported today. The board said its consumer confidence index rose 2.6 points to 116.8.

IN THE WHITE HOUSE AND AROUND TOWN:

- o **Lott says Alexis Herman's confirmation may be in trouble; Daschle says he see no problem "at this point."** The role played by White House aide Alexis Herman in the Democratic fundraising scandals is increasingly being questioned by Republicans. Herman has been nominated by Clinton to replace Robert Reich as Labor Secretary. This morning, Senate Majority Leader Lott was asked by a reporter, "Senator, is Alexis Herman's nomination at all in jeopardy or her confirmation in jeopardy over her fund-raising activities at the White House or for any other reason?" Responded Lott: "I don't know yet. I thought that she was a good choice for that position, and I communicated that last year to the White House. There had been some allegations of some concerns about something she had done back in the Carter Administration as a contracting officer right at the end of the Administration. She, you know, answered questions I had for her on that, and I feel like that there's no problem there. But this latest information that has come out about arranging for meetings, appointments at the White House, as the news media reported this morning, it's awfully close to the edge of violating the Hatch Act. I think we have to take a look at what she did and see if there are any problems. I hope there are not, but, I mean, we have to look at it. Any time, you know, something like this comes out which certainly on its face appears bad judgment, at least, we have to see, is it more than that? But I don't know the answer to it yet, and I'm sure that the Education and Labor Committee, Senator Jeffords and others, will take a close look at it."

This morning, Senate Minority Leader Tom Daschle was asked by a reporter: "Do you see any problems with the confirmation of Alexis Herman?" Responded Daschle: "I don't at this point. I don't have any reason to believe that her nomination is, at all, in doubt. She is prepared to answer all questions that senators may have with regard to her qualifications and her designs for the office. And I look forward to an early consideration of her nomination and, ultimately, confirmation."

- o **Democrats want to ensure Thompson investigation does not drag into election year.** This morning, Senate Minority Leader Tom Daschle told reporters that he has growing concerns over the plans being made by Sen. Fred Thompson for the Government Affairs Committee investigation into recent Democratic fundraising scandals. Daschle's remarks preceded a press conference to be held by Thompson later today, during which the Republican is expected to lay out the process for his investigation.

"Senator Glenn will be speaking also this afternoon, and he has authorized me to release a letter that we will share with all of you this morning, that he has hand-delivered to Senator Thompson yesterday, regarding our concern about the lack of specificity with regard to what the committee intends to do," said Daschle this morning, adding: "My advice to Senator Thompson is to follow the money. Follow the money. Follow the half a billion dollars the Republicans raised in the last election cycle – twice as much as Democrats raised. Follow the money when it comes to tax-exempt foundations. Follow the money when it comes to independent expenditures. Follow the money when it comes to inviting people into the committee rooms to write legislation. Follow the money when it comes to season-ticket holders." Said Daschle: "In addition to the things that they're planning to do with regard to the stated intention of the investigation, my hope is that they will do the things that I've just mentioned. Primarily, our concern has three primary matters that we want resolved: What will be the scope? What will be the duration? And will there be mutuality in the process? That is, when people are interviewed, when people are deposed, will there be a Republican and a Democrat in the room? My very grave concern is that we don't have a process today; we don't have any clear understanding of what that process is going to be. We don't have any duration. We don't know what the scope is. And so it's got to be in writing. We have to agree on it. And I'm very hopeful that Senator Thompson will see fit to engage in a dialogue and a negotiation that will allow us, to mutual satisfaction, to resolve these matters. I am hopeful that we can. There's no reason to believe we can't. And we'll stand ready to sit down anytime with him or with Republican

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CONFIRMATIONS: GOP MAY PUT OFF HERMAN HEARINGS

GOPers said they would "put off" confirmation hearings for Labor Sec.-designate Alexis Herman until she answers written questions about her role in WH political fund-raising. Rep. Spencer Bachus (R-AL), chair of a House subcmte on banking and financial services, requested the documents in a letter to Comptroller of the Currency Eugene Ludwig. Ludwig said he was invited to the 5/13/96 fund-raising meeting by the WH Office of Public Liaison, then headed by Herman. WH Press Sec. Mike McCurry denied Herman's nomination was in trouble because of her activities at the Liaison office: "That office was not used as a political office. The president has strong support for the excellent nominee he's put forward for secretary of labor." Ludwig was in Paris and did not respond to Bachus' request, but his office said it was preparing the requested papers relating to his WH visits. Senate Labor cmte officials said the staff is still working on the questions it wants Herman to answer, and her confirmation hearing "could be put off until late February" (Chandler/Swoboda, W. POST, 1/28).

"GROWING DOUBT": Senate leadership sources said there is "growing doubt" the Senate will confirm Herman. One leadership

Press RETURN to continue, GOLD MENU for options or EXIT to cancel

"growing doubt" the Senate will confirm Herman. One leadership aide: "I think her nomination is in a lot of trouble." The aide also described the nomination as headed into a "black hole." In addition to the mtg. with Ludwig, GOPers are examining Herman's role in an effort to "woo" African-American voters using WH offices and aides during the campaign. The GOP is also still looking into allegations of "hanky-panky" involving gov't contracts when Herman was a political appointee in Jimmy Carter's WH (Galvin, N.Y. POST, 1/28). Herman "was at the center" of foreign trade missions organized by the late Commerce Sec. Ron Brown and "linked to Democratic fund-raising operations." Herman, while Public Liaison dir., "lined up briefings" with Clinton and VP Gore for corporate executives tapped for trade missions," according to court-ordered testimony by James Hackney, Brown's counsel at Commerce (Archibald, W. TIMES, 1/28). Documents released by the WH also show that WH aides, working under Herman, "developed plans" last year "to energize" non-profit groups "to work" for Clinton's re-election. According to the WH plans, turned over in a six-inch thick package to Hill cmtes investigating Dem fund-raising practices, gov't employees "were encouraged" to use organizations ranging from the Spina Bifida Association to the Nat'l Council of LaRaza and the A.

Press RETURN to continue, GOLD MENU for options or EXIT to cancel

Bifida Association to the Nat'l Council of LaRaza and the A. Phillip Randolph Institute "to find 'surrogates' that could be used to disseminate" Dem campaign materials, letters to the editor, and for "producing third-party horror stories on what will happen if the president's proposals are not carried out," one document said. One of the documents intended to "spur on" African-American support read: "Legally, none of the African-Americans for Clinton steering committees are permitted to separately raise funds for the Re-elect to pay for outreach programs -- because of the federal election law." The WH said all the work Herman did on behalf of the campaign was done after her regular work was completed (Gay, W. TIMES, 1/28).

LAKE: A "newly declassified" report by a select House subcmte says that CIA dir.-nominee Anthony Lake "kept the CIA and Congress in the dark" about the U.S. role in Iranian arms sales to Bosnia and that the version of the events given by Lake and other senior Clinton admin. officials "contradicted" the sworn testimony given by Ambassador to Croatia Peter Galbraith and special envoy Charles Redman. Lake's statements were supported by his deputy Samuel Berger, Dep. Sec./State Strobe Talbott and Lake's European adviser Jenonne Walker, but the subcmte "reached no decision on whose report was truthful." The report, scheduled

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 28, 1997

PRESS CONFERENCE OF THE PRESIDENT

East Room

2:30 P.M. EST

THE PRESIDENT: Good afternoon. Please be seated. Before I take your questions, I would like to make a brief statement about the balanced budget that I will send to Congress next week.

This budget shows that we can meet two of our most crucial national priorities at the same time. It proves we can protect our children from a future burden by reckless debt even as we give them the educational opportunities they need to make the most of the 21st century.

The budget finally moves us beyond the false choices that have held us back for too long and shows that we can cut our debt and invest in our children. The budget will help to renew our public schools. It will expand Head Start, help rebuild crumbling classrooms. It will double funding for public charter schools, giving parents more choice in how they educate their children. It will increase funding for Goals 2000 by 26 percent. And it will help our students to reach high standards and master the basics of reading, writing, math and science.

It will also enable us to connect our schools and our libraries to the Information Superhighway. The budget more than doubles our investment in technology to hook our children up to computers and the Internet and it increases by one-third our investment in partnerships with teachers and industries to develop quality educational programming and technology. In short, the budget will connect our children to the best educational technology in the world.

It will also open the doors of college education wider than ever before. I'd like to take a minute now simply to outline our unprecedented commitment to higher education. With this budget, national support for college education in the year 2002 will be more than double what it was on the day I first took office -- going from \$24 billion to \$58 billion per year. The budget will fully pay for a \$1,500 a year tuition tax credit, a HOPE Scholarship for the first two years of college, to make the typical community college affordable for every American, and to achieve our goal of making two years of college education as universal as a high school diploma is today.

It will also allow a working family to deduct up to \$10,000 a year for taxes for the cost of any college tuition or job training. And with our special IRA for education, most parents will be able to save for college tuition without ever paying a penny in taxes.

In addition, my balanced budget takes further steps to widen the circle of educational opportunity. It provides a 25 percent increase in funding for Pell Grants, the largest increase in the maximum scholarship in 20 years, so that over 4 million students with get up to \$3,000 a year. We'll make 130,000 more students

MORE

eligible for these scholarships, and we will open the scholarships to 218,000 older, low-income Americans who want to go to college.

Second, under the balanced budget we will present we will continue to reform our student loan programs to make college loans easier for students to get and easier to pay back. We will cut interest rates on loans to students while they're in school. We will cut loan fees for 4 million low- and middle-income students in half. Fees on 2.5 million more will be cut by 25 percent. Taken together, these two steps will save American families \$2.6 billion over five years.

Third, we will increase funding again for work-study positions for students. That will take us over about a three-year period from 700,000 work-study positions to 1 million work-study positions per year. And it will help us to meet our goal of getting 100,000 of those work-study students to participate as tutors in our initiative to make sure that all of our eight-year-olds can read independently.

To encourage community service, we will also provide tax incentives to encourage loan forgiveness for students who, after college, choose professions that give something back -- people who use their education to work as teachers, in homeless shelters, as doctors in remote rural areas.

Altogether, these proposals will move us much closer to our clear national goal: an America where every eight-year-old can read, where every 12-year-old can log on to the Internet, where every 18-year-old can go to college, where all Americans will have the knowledge they need to meet the challenges of the 21st century. I am very proud of this budget.

Finally, let me say a word about campaign finance reform. We all know we need to find a new way to finance our campaigns and to bring the aggregate spending levels under control. Anyone who is involved in politics must accept responsibility for this problem and take responsibility to repair it. That is true for me, and true for others as well.

Last week, I met with Senators John McCain and Russ Feingold, and Representatives Chris Shays and Marty Meehan. They have introduced tough, balanced, credible bipartisan campaign finance reform legislation. I pledged my support to them. I pledge it again today. I pledge to do all I can to help them pass this legislation. Any legislation we pass should be bipartisan, should limit spending, and should leave the playing field level between parties and between incumbents and challengers.

This is our best chance in a generation to give the American people campaigns that are worthy of the world's oldest continuous democracy. I call on the members of both parties to work with us to get the job done.

Q Mr. President, my question ties into that. What should the American people think of a presidential campaign in which a day at the White House is sold for \$250,000 a couple and the Republican Party sells a season ticket of access to Capitol Hill for \$250,000?

THE PRESIDENT: Well, first, let me say I dispute a little bit the characterization there. I can't speak for the Republicans, they'll have to speak for themselves. But the people who were there on the day in question were not charged a fee. Some of them were our contributors -- had contributed in the past -- they had raised money for me in the past. Some of them had not. And so I don't think it's a -- it's quite an accurate characterization.

But I will say this: If you look at the money that was raised and spent not only by the parties and their respective campaign committees in the Senate and House, but also by all these independent and apparently independent third-party committees and you look at the exponential cost of the campaigns related to communications, surely, we can use this opportunity to make something positive come out of this.

I mean, I think that all of us -- as I said, again -- everyone of us who has participated in this system, even if we did it because we thought we had to do it to survive or to just keep up, has to take some responsibility for its excess, and I take mine. But we have got to do something about it. And the only way we can do anything about it is to pass the legislation, the McCain-Feingold bill or some acceptable variation thereof.

Terry.

Q Mr. President, with all the focus on the Democrat fundraising right now, why are you attending a million-dollar fundraiser tonight? What kind of an image do you think this leaves? And why do these donors make these big-money contributions? What do they get in return?

THE PRESIDENT: Well, first of all, under all conceivable campaign finance reform scenarios, it will still be necessary for the parties to raise some money. And there -- neither party has the capacity to raise all their money from direct mail campaigns and contributions of \$100 or less. The Business Council, the group that is having this fundraiser tonight, is one that would be quite consistent with the McCain-Feingold bill, were it to pass. And I, frankly, am very appreciative of the fact that these folks have been willing to come and help us, and that we have increased the ranks of particularly younger, more entrepreneurial people in the Democratic Party supporting us.

So I think it's an important thing to do. I don't think there's anything wrong with raising money for the political process. The problem is, it is the volume of money, the amount of money, the time it takes to raise, the inevitable questions that are raised.

Now, I can tell you what they get from me. I don't know -- you have to ask them what they expect. What they get from me, I think, is a respectful hearing if they have some concern about issues. I think it's a good thing when contributors care about the country and have some particular area of expertise they want to contribute. But nobody buys a guaranteed result, nor should they ever. They should get a respectful hearing and the President should do what's right for the country.

Wolf.

Q Mr. President, in your new budget that you'll submit next week to Congress there will be tax cut proposals, including some of the education tax cut proposals you outlined today. But there also, presumably, will be some tax increases in the form of what you would describe as corporate welfare, getting rid of some of the tax breaks that big business have now. Some Republicans are already suggesting that net wise, your budget proposal will have a net increase in taxes as opposed to a net decrease. Is that a fair assessment of your budget?

THE PRESIDENT: No. I believe that's incorrect. And let me say, I also believe -- and again, I'm speaking from memory now; I have not discussed this with Mr. Raines in the last several weeks. But I believe that -- number one, I believe it's incorrect, that we do have a net tax cut. Number two --

Q Tax increase.

THE PRESIDENT: No, we have a net tax cut. Number two, I believe that virtually all of the corporate loophole closings that we have in this budget are ones that we had discussed with and reached at least general agreement on with the congressional leadership back during the budget negotiations when we were having them last year. I believe that to be the case. And if it's not, I'll stand corrected, but that's accurate.

Yes, Gene.

Q Mr. President, Boris Yeltsin has been out of work for more than six months now because of his health problems. How has that affected your ability to do business with the Russian government? And a related question: How will Yeltsin's health problems affect the timing and location of the next U.S.-Soviet summit, which had been set for March?

THE PRESIDENT: Well, first, let me make the most important statement I think I can make to your question, which is, I have no private information that is inconsistent with the public statements of the Russian government on President Yeltsin's health. I have no reason to believe, based on any information I have, that his condition is any different from what the Russian government has said it is. First thing.

Secondly, I have been very impressed by the extent to which President Yeltsin made appropriate delegations to Mr. Chernomyrdin during the period of his convalescence leading up to the surgery, and then in this period after the surgery when he developed his illness. And the Vice President and Mr. Chernomyrdin are going to meet pretty soon, and their ongoing relationship -- we have a huge, full agenda. And we have been given no impression by the Russians that we aren't still going to have the Yeltsin-Clinton -- meeting in the March time frame.

I think it's very important -- we have to work through the NATO-Russia relationship in connection with expansion and other issues. We have a lot of other security issues. We have to deal with the START II issues and where we go after START II. We have a lot of economic issues that are still to be resolved. And so, I think we'll go right on and I expect to have that meeting in March and I expect it to be an important one and I hope a successful one.

Q Mr. President, in your inaugural address eight days ago, you outlined some quite lofty goals -- for example, the education proposals you were speaking about today. But in the days since, many questions in the press and in Congress have focused on issues like campaign fundraising. My question is whether you are worried that the well is being poisoned even now for the realization of these goals before you can even get out of the gate, particularly on the issue of bipartisanship?

THE PRESIDENT: No. But all I can do is speak for myself. I have tried to conduct the presidency and to guard my words in a way that would make it clear that I intend to follow through on my commitment to try to establish a working partnership and a dynamic center -- not a stable, stale one, but a dynamic one -- with people in both parties. I think we will have to continue to work on that.

As these -- just a few days ago, there were -- when someone asked me if I thought that in the House the issue over the Speaker would poison the well, and I didn't and I don't, I don't think it has. I just think that when matters come up that have to be dealt with, they need to be dealt with and disposed of. But the American people expect us to focus on how we can lift their lives and improve our conditions and move our people together and deal with the

things that are before us. And I think if we do that, and do it in a good-faith way, we'll be able to go forward.

Now, I'm very encouraged -- let me just say this -- the most encouraging thing has been, to me, the way that my budget proposals have been received. Even in criticism they have not been rejected outright. You know, four years ago when I came here, nobody in Congress took a President's budget seriously. They said, oh, his budget scenario is always rosy, the numbers are always cooked. And we now have four years in a row when I have presented conservative budget figures, when we've brought the deficit down by over 60 percent, and when, now, both sides are keeping their powder dry enough to create the possibility we can reach a balanced budget agreement. So, on balance, I'm still quite hopeful.

Peter.

Q Mr. President, both your Attorney General and the FBI Director recently expressed concerns about the level of cooperation from Saudi Arabia into the investigation into the bombing that killed 19 American soldiers last year. What's your assessment of their level of cooperation, and do you have confidence in the security of the U.S. men who are still on duty there?

THE PRESIDENT: Let me answer the second question first. We have worked very hard, as you know, since the Khobar incident to enhance the security of our Armed Forces personnel in Saudi Arabia. In that endeavor, we have received the cooperation of the Saudi government, we have relocated a large number of people, we have done a lot of work, we've invested a lot of money; so have they. And we believe that there is no such thing as a risk-free world, but we believe that our Armed Forces are more secure today. And we feel good about that.

On the investigation, clearly, for our point of view, in our government, the FBI is in charge of that. They have sought the answers to some more questions. The Saudi government has assured us from the very highest levels that they would get answers for those questions, and so I expect that to happen. And that's all I can tell you at this time. The process is ongoing. The investigation is ongoing. The relationship is ongoing.

As you can imagine, this creates -- an investigation of this kind raises all kinds of complex questions about cooperation against sovereignty, about what other interests of that nation might be in play. But I'm confident that in the end they will do what I have been assured personally by the highest levels of the Saudi government they should do.

Q So you're satisfied with the level to this date?

THE PRESIDENT: Well, it's still in process. We have to see if it comes out all right. But we still have -- there are further requests for information that are ongoing. We'll see how it comes out.

Q Mr. President, the Chinese have been making a lot of noises about clamping down on civil liberties in Hong Kong. How concerned are you about this, and will this upset our relationship in any way?

THE PRESIDENT: Well, it wouldn't help anything. I'm concerned about it, and I think the -- we don't know yet what's going to happen. But the Chinese have basically said that it would be a part of China, but its system would be left intact. And I think there may be some ambivalence about what it means to leave their system intact. And I think maybe some would assume that you could impose political uniformity on Hong Kong and leave its economic

vibrancy in tact. It really is, in some ways, almost a perfect open market, you know. And I don't know if that's true or not. It's a complex society.

I think anyone who has ever been to Hong Kong more than once -- and I've been there on several occasions in my life -- probably leaves with the feeling I have, that you could go there a thousand times and you might not ever understand it all. It's a complicated society. And I'm not so sure that it can exist with all of its potential to help China modernize its own economy and open opportunities for its own people if the civil liberties of the people are crushed.

So I think it would be wrong on its own merits, but I think it might wind up being less useful to China. So I would hope very much that they would look for ways to maximize the continuation not only of the economic system, but of the personal freedoms that the people of Hong Kong have enjoyed in making it such an economic engine.

Q Mr. President, the Lippo Group hired your friend, Webb Hubbell, after he resigned in a scandal from the Justice Department and just a few months before he went to jail for embezzlement. So far, no one has been able to determine what kind of work he was doing or why he was paid a sum reportedly in excess of \$200,000. Does anything about this arrangement strike you as unusual or suspicious? And given that there have been public suggestions this money was offered to encourage his silence before the Whitewater investigator, have you taken any steps yourself to assure yourself that this is not the case?

THE PRESIDENT: First of all, I didn't know about it. To the best of my recollection, I didn't know anything about his having that job until I read about it in the press. And I can't imagine who could have ever arranged to do something improper like that, and no one around here to know about it. It was just not -- we did not know anything about it, and I can tell you categorically that that did not happen. I knew nothing about it, none of us did, before it happened. And I didn't personally know anything about it until I read about it in the press.

So I don't think -- I think when somebody makes a charge like that, there ought to be some burden on them to come forward with some evidence to substantiate their charge instead of saying, we'll make a charge, see if you can disprove it. That's not the way things work, and that's a pretty irresponsible charge to make without knowing, having some evidence of it. And I'm just telling you it's not so.

Yes, Rita.

Q Back on this issue of fundraising. You've talked about it maybe in general terms, but specifically last week the White House put out a list of coffees. It showed that one coffee that included the Comptroller of the Currency, the Secretary of the Treasury -- there were people who -- bankers who had contributed something like \$325,000. You attended that coffee. There was another coffee with another regulator of the Consumer Products Safety Commission. Something like \$500,000 was contributed by people who were at that coffee. And I wondered if, in retrospect, you had any feelings about, number one, regulators being at political coffees and also your own participation. Obviously, you're not going to be doing this again for your own reelection, but is this something that you have decided you will continue doing, and what have you come to on your own mind on this issue?

THE PRESIDENT: I have a different opinion about my participation and the regulators' participation. First, let me tell

you about -- I can only comment on the first instance you mentioned, the bankers meeting. I think it is an appropriate thing and can be a good thing for the President and for the Secretary of Treasury to meet with a group of bankers, and listen to them and listen to their concerns, and if they have certain issues, to explore those issues.

I can tell you categorically that no decision ever came out of any of those coffees where I or anyone else said, this person is a contributor of ours, do what they ask us to do. But I think those meetings are good. I think the President should keep in touch with people. I think he should listen to people. I never learn very much when I'm talking, and I normally learn something when I'm listening. So I think that they're good.

In retrospect, since the DNC sponsored it, I do not think the Comptroller of the Currency should have been there. I agree with Mr. Ludwig, and he should have been told who was sponsoring it, and it would have been better had he not come. I agree with that. But I think there is a distinction to be made between the President meeting with people, listening to them, and then, at least if they raise some serious issues, having them looked into. But I never made a decision for anybody because they were contributors of mine. I don't -- but I do think it's important to listen to people.

But you're right -- or he was right -- it would have been better if he had not been there. Regulators should not come to meetings that are sponsored -- have any kind of political sponsorship, I don't think.

Q So you intend to keep going with these coffees, sir? Do you intend to keep going with these coffees?

THE PRESIDENT: I don't know. But I can tell you -- well, I intend to keep going with coffees. I don't know whether they'll be sponsored by the DNC or whether we'll just bring them in through our own regular offices. But I also had lots and lots and lots of coffees over the last four years that had nothing to do with the DNC, where a lot of people came, were not contributors or even active supporters of mine, but they were from different walks of life around the country. And I found them very helpful, where I would just sit down and talk for four or five minutes, and then listen for an hour or so, and maybe ask questions based on whatever people had to say to me.

I think it's an effective way for the President to hear firsthand how the operations of the government or developments in the country are affecting people. So I think that the coffees themselves are a very good device. But I do believe, particularly if sponsored by a political party, it's not appropriate for the regulator to be there.

Q Thank you, Mr. President. A number of Democrats in Congress oppose a balanced budget amendment to the Constitution unless the government promises to stop spending surplus Social Security funds -- borrowing and spending them. Would you -- though you oppose an amendment, you will propose a balanced budget -- will you stop using surplus Social Security funds?

THE PRESIDENT: Well, the using -- the funds that are collected on Social Security are going to be invested in some way. When you say "using," what they do, they cover the deficit by basically being sold for government securities. Social Security is not, therefore, in effect separated from the government. But those securities will come back with interest to the government later on. And by then, what will have to happen is, when we start running short of money 20 years or so from now, the government will have to have

been on a balanced budget for some years by then, so when the bonds are repaid, they can be used to pay Social Security.

We couldn't right now, neither the Republicans nor I and the Congress, could produce a balanced budget tomorrow that could pass, if you said the Social Security funds cannot be counted, if you will, as part of the budget.

But let me say, you raise an interesting question, however, which is why I don't favor this amendment. I've given the Congress a plan to balance the budget. I've made it clear that we will work with them to meet the Congressional Budget Office budgetary projections. And we're going to do this. And now they know that I have credibility because we've worked on it for four years and we've done almost two-thirds of the work.

When you amend the Constitution, you do it forever. No one can foresee the circumstances that will come a generation from now or 50 years from now or even 10 years from now. And the way I read the amendment, it would almost certainly require after a budget is passed, if the economic estimates turn out to be wrong, the Executive Branch -- the President, the Treasury Department -- to impound Social Security checks or to turn it over to courts to decide what to be done. And it would put us in a position, in my view, of doing things that are counterproductive.

The Congress -- the Senate is about to vote on this -- the House is -- against a background of four years of stable group and four years of declining deficits. But we don't know what external factors in the world might be brought to bear on our country in the next 10 or 15 years that might have terribly counterproductive impulses -- if we were cutting aid to children and raising taxes in the teeth of a big recession, or we were impounding Social Security checks or something of that kind. I just think that the Congress has an obligation to think of what could happen here in the future and ask themselves whether they really want to strait-jacket the United States.

What we ought to do is follow prudent policies, balance the budget, and go forward. But we shouldn't compromise what might happen 10, 15 years from now with an amendment to the Constitution. I think it's bad economic policy and bad policy. And I think we're going to wind up with some decisions in the courts and some decisions on Social Security and aid to kids and other things that future generations won't be very grateful to us for, just because it seemed so popular now because we haven't balanced the budget since 1969.

Q If I may, Mr. President, could I just follow up, Mr. President? Could I just follow up on one thing? There are a number of reform plans around that would give people part of their taxes back to put into private accounts. If it was only part of their taxes and some sort of safety net was preserved, would you favor some private accounts out of Social Security tax money?

THE PRESIDENT: Well, first of all, I would favor nothing that would compromise the integrity of the system. Secondly, even the Social Security Advisory Commission couldn't agree on that, so I can't make a decision on that, to support something like that, without knowing more about it.

There are two different options that were recommended -- or three different ones -- and I just -- I think that what we need to do, as I've said before, we need to make some changes in Social Security to lengthen its life a little bit. We don't want to start getting in trouble in 2019; it ought to have a longer life span than that. And we ought to do it through a bipartisan process that is either like the one that was done in 1983, or that at least consults all the people who will be affected by it. And I think that if we

start now we can make modest changes that won't be too burdensome to anybody, that will secure Social Security for another 50 years. And I think that's what we ought to be doing.

Q Mr. President, I wonder if we could just shift the focus briefly to something you've become much more interested in lately -- the troubled Capital City here. The District of Columbia Congresswoman has reintroduced her wide-ranging tax cut plan today, which offers relief on the federal level for everybody and the working poor would indeed be eliminated, as you know. She is also saying today that she wants your help on this and she thinks that her tax plan should be included in your new D.C. recovery plan -- that the one cannot work without the other, and that time is fast slipping out for the capital city, that action needs to be taken soon or we're going to go down the tubes.

THE PRESIDENT: Well, let me say, I believe that we should have a three-point plan. One is the thing that Congresswoman Norton and I agree on, that we should have the federal government assume those things that are now burdening the District of Columbia that in every other place in the country those costs are borne by state governments, not local governments. You can't expect any city to function and be successful if they have to pay the state's cost as well as the city's cost, raise taxes when people can go right across the Potomac River or right up the road into Maryland and have the same cost borne in a different way. So I think that responsibility shift is important.

Secondly, I think the federal government needs a more disciplined effort to see what else we can do within the resources we now have to help D.C. -- in law enforcement, in education, in transportation, right across -- and housing and homelessness.

Thirdly, I think there needs to be an economic incentive in the form of tax relief. Now, I haven't seen what Congresswoman Norton introduced today. The last time this came up, the folks at Treasury and OMB thought that the proposal was more costly than we could afford. But I intend to make one. I think it will be a significant incentive for people to invest in D.C. and to help to grow the economy here. I think that's a very important component. So I agree with her on the general point. I just have to see the specifics before I can make a commitment.

Q I wonder if I could just follow up --

Q Your annual human rights report is about to come out this week. It's reported that it will say there are no active dissidents in China, they're either all exiled or they're in jail. Does this mean that your policy of constructive engagement has failed to get the kind of results you wanted to get on China's human rights behavior?

THE PRESIDENT: It means that we have not made the progress in human rights that I think -- that I had hoped to make, yes. But it does not mean that if we had followed a policy of isolating ourselves from China, when no one else in the world was prepared to do that, that we would have gotten better results. And I think -- I still believe over the long run being engaged with China, working with them where we can agree -- which helps us on a whole range of security issues that directly bear on the welfare of the American people, like the problems on the Korean Peninsula -- and continuing to be honest and forthright and insistent where we disagree has the greatest likelihood of having a positive impact on China.

Keep in mind, the time horizon here for how we judge them has to be broadened a little bit. They tend to look at things in a long-time horizon. They're going through some significant

changes themselves within their country -- economic and political changes. And I believe that the impulses of the society and the nature of the economic change will work together, along with the availability of information from the outside world, to increase the sphere of liberty over time. I don't think there is any way that anyone who disagrees with that in China can hold back that, just as eventually the Berlin Wall fell. I just think it's inevitable.

And I regret that we haven't had more progress there more quickly, but I still believe that the policy we're following is the correct one.

Q Mr. President, some lawmakers on Capitol Hill still think it would be a good idea to appoint an independent counsel to investigate some of the campaign fundraising that occurred last year. And at the same time -- what's your latest thinking on that? And at the same time, if I may, you often decry what you call a cynicism that you believe is pervasive in Washington, but given the amounts of money that were raised last year, the way they were raised and some of the explanations for the way they were raised, isn't the public entitled to a little bit of healthy skepticism, if not cynicism, about the entire process?

THE PRESIDENT: Well, to answer your first question, I'm going to take Bob Dole's advice because that's a decision for the Attorney General to make. And to answer your second question, yes, healthy skepticism is warranted. But keep in mind, I would say to the skeptics, the vast majority -- indeed, a huge percentage, way, way over 90 percent -- I don't know what it would be -- the vast majority of the money that was raised by both the Democrats and the Republicans was raised by -- in a perfectly lawful fashion, completely consistent with the requirements of the law. The vast majority of the people who gave money to both the Democrats and the Republicans were people who believed passionately in the course that those two parties were pursuing and the candidates and what they were trying to do, and to their House committees and their Senate committees.

The problem is that the margins create great problems because of the sheer volume of money that is being raised today. As I said before, it's too much money, takes too much time to raise, raises too many questions. And the cynicism is well -- and the skepticism is well-founded. If it becomes cynicism then it removes the incentive on the part of the Congress to pass campaign finance reform because cynics will say it won't make any difference anyway.

If you look at the present campaign laws, I think you can make a compelling case. I have not heard this point made, but I believe it to be true. I believe when these reforms arose out of the Watergate thing back in the mid '70s, I think they worked pretty well for several years. I believe they elevated the reputation of politics and I think the reforms worked pretty well.

What happened is, no system in a world changing like ours can be maintained indefinitely, because the economy changes and particularly -- look at how your work has changed. When you travel with me, you carry these little computers around and you run these pictures up on computers and you send them from the plane somewhere else. I mean, just think of all the things that have changed. This system has not been fixed in over 20 years. During that 20 years, there has been an explosion in ways of communicating with people, and an exponential increase in the cost of communicating. And a system which I would argue to you really worked pretty well, after it was passed in '74 and going forward has been overtaken by events.

So, cynical, no; healthy skepticism, you bet. We should always be skeptical. But we need to change the system. It's got to be -- it's just outdated.

Q Mr. President, what specific mechanisms do you plan on working with the private sector in terms of creating more welfare jobs for people who are on welfare?

THE PRESIDENT: Primarily two. One, I will offer a special tax incentive -- there was a story about it today, I think in The New York Times -- a special tax incentive. It will be a 50-percent credit for up to \$10,000 a year in pay for people who are clearly, provably hired from welfare and put into new jobs.

Secondly, we have given the states -- and there was a story, I think, in the Post today talking about how a lot of the states are trying to push this down to the community level -- that's good, that's not bad, that's good, as long as they give the communities the means they need.

The second thing is that every community should know that the employers in that community, if they hire people from welfare to work, can get what used to be the welfare check for at least a year to use as an employment and training subsidy. Why? The welfare rolls have gone down \$2.1 million in the last four years; it's the biggest drop in history. I think a fair reading of it would say about half of this decline came from an improved economy, and about half of it came from intensified efforts to move people from welfare to work. Now, I don't have any scientific division, but anyway, there's some division there.

The rest of the people that are on welfare now, by and large, are people who will be more difficult to move from welfare to work and stay there. So I think we're going to have to give some incentives. But if it works and if every community in the country would set up an employment council and turn this into a family and an employment program like Kansas City, and all employers have those two incentives, I think we'll be able to meet the requirements of this welfare reform bill in a way that will be good for the people on welfare and good for their kids.

Kathy.

Q Mr. President, the Chairman of the House Ways and Means Committee over the weekend laid down some markers for what he thinks would create chances for your budget to be alive on arrival on the Hill. On welfare one of the things he mentioned was increased spending for legal immigrants, and he said he hoped you wouldn't insist on it. How do you deal with that in your budget, and will you continue to insist on it?

THE PRESIDENT: Let me say, I like Mr. Archer very much and we've had a good relationship, and I appreciate what he said about me meeting him halfway on Medicare. But there have been reports in the last couple of days about Republican governors with high immigrant populations coming back to their Republican congressional leaders and saying, please reconsider this.

My budget will contain funds and propose changes consistent with the promises I made when I signed the welfare reform bill and when I campaigned to the American people on this issue. I believe that the bill is counterproductive in the way it treats legal immigrants, who through no fault of their own wind up in desperate circumstances and in other ways that I think are not good for families and children.

So I will propose some changes. And I hope that when we get all through here -- again, I hope this will be treated just like the budget issue -- I would ask our friends on the Republican side and the Democrats who care as passionately about this as I do to keep our powder dry. Let us make our case on the merits. Let them hear

from the Republican governors of places like Texas and New York that have these huge immigrant populations of good people that are making great contributions to this country, that are working like crazy and making this a better place, and listen to the practical impact of the law that's now there on the immigrant population. And I'm not sure we can't get some changes. I'm very hopeful that we can, and I'm going to give it my very best effort.

Q Mr. President --

THE PRESIDENT: Wait a minute, I'll take a couple of more. Just a minute.

Deborah. No, no, Sarah's next. Let Deborah talk.

Go ahead.

Q To follow up on Jim Miklaszewski's question, the people are not just skeptical or cynical about politics or about campaign finance. They are more specifically cynical and skeptical and suspicious of this White House, of this administration, partly because of the way information has trickled out, the way memories have been stubborn and sometimes revised at the last moment -- at an opportune moment, it would seem. And I'm wondering what's new about the White House now and the way you handle delicate information, and what you want to tell the people about it.

THE PRESIDENT: First of all, I want to tell the people, when you get asked hundreds of questions, it's not possible to remember the answer to every one. I think some of these people make honest mistakes. I read things in your reports all the time that aren't quite factually accurate, but I don't think you deliberately did it. It's impossible to do -- we're living in a society that is deluged in information. So I think that what we've all got to be candid enough to say is, no one is blameless here; it costs so much money to pay for these campaigns, that mistakes were made here by people who either did it deliberately or inadvertently. Now, it's up to others to decide whether those mistakes were made deliberately or inadvertently. It's up to me to do what I can to clean up the system.

Now, what should they believe about us? Well, first of all, I got the Democratic Party to make some unilateral changes in its fundraising policies and ask our friends in the Republican Party to do the same, and offered to completely get rid of the so-called "soft money," the larger contributions, if they would. Secondly, we're out here working hard as a party, as a White House, and me, personally, as President, to pass the McCain-Feingold bill which would put an end to these problems and modernize this system. So I think that's quite important.

Now, I do not believe you will ever get the politics out of politics. That is -- and that's not bad. I think people who fight for candidates and who help them and who help parties will be people that the people who represent them want to hear from and want to maintain access to. I don't think there is anything wrong with that. That's the way the system works. And I don't think anyone should imply that your first obligation once you get elected is to stop talking to the people that helped you get there.

But I think that we've got to improve the system. And I understand why the cynicism is there. But again, I will say I'd ask you to look -- way, way over 90 percent of all the people who gave money and way over 90 percent of the people who gave, of all the money that was raised, is clearly consistent with the law in both parties, as far as I know. I mean, I can't really speak for the Republicans, but I'd be astonished if that were not so. I would be astonished if it were not so.

So there is no pattern and practice here of trying to push our system over the brink into corruption. What happens is, there is a race to get as much money as you can to keep from being buried by the other people and to make sure you can get your own message out, and at the edges errors are made. And when they're made they need to be confessed and they need to be -- and we need to assume responsibility for them. And that's what I'm trying to do up here today. But I can't say, Deborah, in response to your question, that I know that any of these people who gave insufficient answers to you did it in a deliberate or deceptive way, because a lot of times people just ask questions and they don't have all the answers. And they're trying to cooperate and don't do such a good job.

Sarah, go ahead.

Q Sir, the National Coalition on Health Care has issued a wonderful report. It's the largest consumer organization on the subject. They say that 58 million people -- 60 percent of those people were against the present health care system as being totally inadequate, and they don't have faith in it. Now, we heard last year a lot of stuff about how people were satisfied with the most wonderful health care system in the world. Well, apparently, that's baloney, according to this report. And there's a lot of talk being done about preserving Medicare, but Medicare won't do it, it won't go all the way to take care of the people of this country. And this report shows that they simply cannot meet the big bills of hospitals and doctors. Aren't you going to try again this year with Hillary to devise a good national health care program for this country?

THE PRESIDENT: Well, I read that report and I found it very interesting. But I think what that report was saying -- and again, I don't want to read between the lines, all I did was read a news column on it -- but I can tell you what I got out of it, and then let me respond to your question. What I got out of it was, people said, well, I may feel good about my doctor or my local hospital, but I'm worried about the security of this system. I'm worried about whether, if managed care controls everything, whether I'll lose any control over important decisions affecting my life. I'm worried about whether if I lose insurance here whether I can take it there.

And what I think we have to do is to recognize that our society -- and I think we've played a role in it here, but I think the whole system deserves credit for it -- we've done a much better job in holding down inflation and medical care, and bringing it closer to the general rate of inflation. There's some indication it's going up again, but I hope we can keep it down.

But we -- and we have done a better job of some others things, like ending the 48-hour delivery rule and all that. But we have not -- or the 24-hour delivery. But we have not done enough to increase access to affordable care for people who don't have coverage to deal with the problem that there are still a lot of children in working families that are poor who aren't covered, and to deal with the fact that there are people who are unemployed who, even though we just made it legal for them to carry their insurance with them when the Kennedy-Kassenbaum bill passed last year, they can't afford to do that.

So in my budget, we will have, in effect, an unemployment health insurance plan to help people, families who have insurance keep it when they're employed. And I intend over the next four years to work very hard to try to find others ways, as I said, in a step-by-step way to allow people affordable access to this system. It will never be completely stable for anyone until everyone at least has affordable access to it.

Yes, one foreign person over here.

Q Mr. President -- Mr. President, both Israel and Syria seems willing and ready to come to the negotiating table and they both want American diplomacy as an honest broker. Prime Minister Netanyahu will come to Washington next month. How will you act together to energize this track and reach comprehensive peace in the Middle East, which is clearly a top priority of your administration?

THE PRESIDENT: Well, Prime Minister Netanyahu, Chairman Arafat, King Hussein and President Mubarak are all coming here in the next couple of months. And I must say again how much I appreciate the agreement reached on Hebron and the other understandings reached between Prime Minister Netanyahu and Chairman Arafat and the fact that so far things seemed to be being implemented in an appropriate way and going all right.

There will never be a comprehensive peace in the Middle East until we resolve this matter with Syria -- between Syria and Israel. And that requires the willingness of the parties. What our experience has been -- mine and the Secretary of State, Secretary Christopher and now Secretary Albright, Mr. Ross, and our whole team -- has been that when both parties want to make peace, no matter how far apart they seem, we've found a way to get there. If they're not sure it's time to make peace, no matter how close it seems to an outsider, we don't seem to be able to bridge the gap. So you can be sure that that will be a major focus of our discussion, whether we can find a way to work together.

Q Mr. President, your Medicare reform plan was criticized for relying too heavily on savings squeezed from health care providers. Why shouldn't Americans who can afford to pay higher Medicare premiums pay them?

THE PRESIDENT: Let me respond to criticism. First of all, in my health care reform proposal I supported higher income -- increases in Medicare premiums on higher-income Americans, but it was part of a comprehensive health care reform. What I was attempting to do, after meeting at some length with Secretary Shalala who worked through these issues with me -- the specifics of the Medicare reform -- was to demonstrate that we could balance the budget, meet the Republicans halfway and put 10 years on the life of the trust fund without a premium increase. If we're going to have a longer-term Medicare reform -- I have never said that I would rule that out, but I didn't want to rule it in. I presented a budget that was consistent with my priorities. And I'm prepared to meet with Senator Lott and discuss that and other issues. But I presented a budget that I thought was the best budget to achieve our objectives.

You've been trying to stand up all this time. Go ahead.

Q Thank you, sir. When you are finished here, Mr. President, Senator Thompson is expected to go to the Senate floor to discuss his committee's investigation into these fundraising issues. I'm wondering if you would like to say something to him regarding White House cooperation and the possibility of looking into Republican fundraising, as well.

THE PRESIDENT: I have instructed everybody here to fully cooperate with him. My new counsel, Mr. Ruff, is going to meet with Senator Thompson and the appropriate people, and we will be fully cooperative. I think that's very important.

And on the question of the Republicans, I just want him to be fair. I think that it's very important to be fair and even-handed -- because I'm confident that any investigations will reveal what I said, that the vast majority of people who give do so well within the law and with the best of motives. They really believe in what they're doing on both sides. And what we need to do is find out

whether there are any systematic flaws here that need to be addressed, and address them.

But in the end, I'm telling you, no matter what this hearing uncovers, in the end, if you want to get rid of -- if you want to turn cynicism back into skepticism, you have to pass McCain-Feingold or some other acceptable campaign finance reform.

Q Mr. President, in Chicago the day you gave your acceptance speech at the Convention, you unveiled a plan in which homeowners would not have to pay virtually any capital gains taxes. We haven't heard much about it since then. And my question is, is that going to be in your budget, that proposal, and will you go a little further if the Republicans want to do a little more on capital gains?

THE PRESIDENT: The answer is, yes, my homeowners exemption, capital gains exemption is in the budget. Everything I talked about at Chicago is in the budget. And the capital gains issue has never been of particularly high priority with me because I've never seen it demonstrated as a big engine of economic growth overall, and because I thought the previous -- as you know, this is nothing new, the proposal that the Republicans made in their budget I thought was entirely excessive and would really almost squander money by having it be retroactive.

But what I've -- I have tried to practice what I preach here. I want to keep our powder dry; I want them to keep their powder dry. I will present a budget. I know what my priorities are. I know what theirs are on the taxes. And then what we need to do is to meet each other in good faith. This and all other issues can best be resolved by an early attempt to work through to a balanced budget agreement.

Thank you very much.

THE PRESS: Thank you, Mr. President.

END


3:25 P.M. EST

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01/27/97 03:08:33 PM

Record Type: Record

To: Todd Stern/WHO/EOP

cc:

Subject: CONFIRMATIONS: HERMAN IN TROUBLE?

FYI - out of Hotline.

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HAYES_R @ A1

01/27/97 02:39:00 PM

Record Type: Record

To: Holly Carver, Lee A. Satterfield, Robert B. Johnson

cc: Richard Hayes

Subject: CONFIRMATIONS: HERMAN IN TROUBLE?

CONFIRMATIONS: HERMAN IN TROUBLE?

WH aides "privately admit" that Labor Sec.-designate Alexis Herman's confirmation "has run into trouble." Herman's problem concerns "whether she was involved in overseas political fund-raising" while serving as dir. of the WH public liaison office. Dems "fear" the confirmation process "could reopen scrutiny" of Ron Brown, Herman's "close friend and political associate." Senate Labor cmte chair Jim Jeffords (R-VT) "had not been expected to be tough" on Herman. But Jeffords recently told Senate GOP leaders he will "scrutinize any involvement" by Herman in "questionable political fund-raising" (Novak, CHICAGO SUN-TIMES, 1/26). GOP Senators "are particularly interested" in Herman's relationship with ex-DNC finance vice chair John Huang. The WH "leaked" some Asian-American fund-raising documents (see #5) "to deprive" Senate GOPers of an "ambush" at Herman's hearings. "Now that Herman faces confirmation trouble," Clinton has "turned" to DC lobbyists Michael Berman and Patrick Griffin "to help shepherd" her nomination (Duffy, TIME, 2/3 issue). The newly-released WH documents show that Herman sat in on five of the coffee klatches with contributors. Judicial Watch's Larry Klayman said it appears Herman "was the point person at the White House for arranging campaign contributors to go on trade missions" (Bedard, W. TIMES, 1/25). CBS' Braver: "The White House acknowledges it released the documents now because of worry that the operation could become an issue in Herman's confirmation" (1/24). A report prepared by Herman and Trans.

Sec.-designate Rodney Slater "specifically referred to resources available" within the WH "to assist in spreading a positive political message to black voters." WH special counsel Lanny Davis said the report was sent to the Senate Labor cmte. Slater will "face questions" about his role in the campaign during his hearing before the Senate Commerce, Science and Trans. cmte this week (Bedard, W. TIMES, 1/27).

LAKE: The John Huang "problem" is "particularly sticky" for CIA dir.-designate Anthony Lake, who, as Nat'l Security Adviser, "is supposed to have known about potential diplomatic embarrassment and can never utter the words, 'I was out of the loop.' But that is essentially" Lake's defense. During next month's hearings, Lake "will say that had he known, he would have prevented" Chinese weapons trade Wang Jung from having coffee with Pres. Clinton on 2/6/96. "When it comes to blame, Lake may spare no one -- not even" outgoing WH CoS Leon Panetta (TIME, 2/3 issue). Senate Min. Leader Tom Daschle, on Lake: "He's going to have some bumps along the way, but ultimately, he will be confirmed" ("Evans & Novak," CNN, 1/25).

Cabinet choices aimed to skirt law

Herman, Slater tested Hatch limits

By Paul Bedard
THE WASHINGTON TIMES

11/27

Internal White House voter outreach plans reveal that top Clinton aides pushed the limits of the Hatch Act to get their boss re-elected in a strategy that may complicate confirmation of two Cabinet nominees.

The outreach plans released by the White House last week detail how top Clinton aides used their offices and government equipment to court minority groups.

The key question is whether the Clinton-Gore campaign violated the Hatch Act, which restricts politicking by government workers and forbids the use of government equipment for electioneering.

Lanny Davis, White House special associate counsel, has said no violations occurred. He has also acknowledged that the Clinton-Gore campaign reimbursed the Treasury \$917 for the cost of drafting two of six minority outreach reports written on White House computers.

And yet, new documents indicate that other political strategy memos called for White House involvement in politics that at the very least stretched the spirit of the Hatch Act to the limit.

For example, the outreach plan that targeted Hispanic voters called for the placement of a member of that minority group in the White House communications department for the sole purpose of promoting the president in the Hispanic press.

It also called on top Clinton officials to act as re-election surrogate speakers and meet with Hispanic reporters on their trips out of town.

"Appointees have been and will again be directed to find an His-

panic media opportunity every-time they travel," the report said.

A report on political outreach to blacks co-authored by Alexis Herman, then director of the White House Office of Public Liaison, and Rodney Slater, then head of the Federal Highway Administration, raises similar questions about compliance with the Hatch Act.

In her report, Miss Herman, whom Mr. Clinton has tapped to head the Labor Department, specifically referred to resources available within the White House to assist in spreading a positive political message to black voters.

"White House team members will provide overall direction and policy guidance with respect to: the master calendar of events; appearances and phone calls by White House principals [the president, vice president and their wives] and administration surrogates; issues tracking; message development; overall political strategy for 1996," the report said.

Mr. Davis said the reports naming Miss Herman were sent to the Senate Labor and Human Resources Committee, which plans to hold hearings on her nomination.

Mr. Davis said that the working groups preparing the minority-voter outreach plans handed over their reports to the Democratic Party and that the plans "anticipated limited White House involvement."

While the Hatch Act forbids the use of government equipment for campaign activities, the Herman report said a special fax network was to be used to promote the president.

"An electronic fax network has been established at the White House to distribute daily talking points, calendars of upcoming events, stump speeches, descriptions of major legislative victories, agency accomplishments and other materials of potential interest to recipients," the report said.

"Over 1,000 key African Americans are currently included on this network, and others will be added in the coming months. These materials are also being supplied to the DNC to include in their monthly newsletter and to supply members of the 'quick response teams' they are setting up," the Herman report said.

Miss Herman also wrote that a group of communications workers were being placed in the White House media affairs office "to help highlight two or three major events each month from now until the election."

Miss Herman was the chairwoman of the African American Working Group and worked closely with Mr. Slater in developing political strategies aimed at consolidating support in the black community. Miss Herman and Mr. Slater are black.

Mr. Slater is the president's nominee to head the Transportation Department and will face questions about his role in the campaign this week before the Senate Commerce, Science and Transportation Committee.

Government appointees can participate in political activities but must first put in 40 hours of official work. All political actions must occur during off hours.

The Herman report warned the specially selected presidential surrogates to discuss administration accomplishments during their speeches. This helped the White House skirt the Hatch Act provision that bars political appointees from using their official positions to promote a president's re-election.

"Needless to say, it is inevitable that someone will still be singled out for criticism by the press," the report said.

"We should strive to minimize any negative publicity and ensure that all surrogates are clear about Hatch Act restrictions."

The thick report said that the White House would provide the Democratic National Committee with information surrogates could use when battling "hostile" radio talk-show hosts.

In a sentence that displayed how the administration sought to push, but not cross, the boundaries of the Hatch Act, the White House report aimed at nailing down the black vote said:

"We will also provide the DNC with administration materials that can be rewritten to be more piercing than what White House or administration surrogates would be permitted to issue. Not being bound by the Hatch Act, DNC surrogates can be more partisan in their defense of the Clinton administration."

Herman warned of black apathy

Strategy sought to revitalize base

By Paul Bedard
THE WASHINGTON TIMES

A4 1/27

Fearful that blacks inside and outside of the administration were lukewarm in their support for the president, the White House developed an elaborate strategy to reenergize blacks.

Among other things, the strategy targeted powerful black leaders in key states, called for the appointment of blacks in visible campaign posts and sought to curry support from black journalists.

Blacks under the age of 45, which make up 64 percent of all blacks, represent a particular challenge because their identification with the Democratic Party has declined significantly in recent years, warned a report authored by Alexis Herman, director of the White House office of public liaison and now nominated to be secretary of labor.

"Further erosion of support among these voters can mean the difference between victory and defeat for Democrats at all levels in November 1996," the report said.

To reverse that trend and win back blacks, the White House called for:

- Creation of local and state "steering committees" with blacks who "have 'clout' in their home state."

- Placement of blacks in top campaign positions in states with large black populations.

- Recruitment of black entertainment celebrities to promote the president, including musician Quincy Jones, basketball stars Earvin "Magic" Johnson and Shaquille O'Neal, and actress Whoopie Goldberg.

- Trading support for access to the White House and the president.

- Targeting black journalists and broadcasters who presumably would be friendly to the administration.

The report was one of six minority-outreach plans released by the White House last week. The administration sent it to the Senate Labor and Human Resources Committee, which will hold hearings on Miss Herman's confirmation to the labor post.

The Herman report was blunt in its description of the problems the president faced in continuing the Democratic's Party's historic dominance in the black community.

For example, the report suggested that the lack of a primary opponent facing Mr. Clinton in early 1996 caused black voters to lose interest in the general election.

"With no serious challenger to the president in the primaries, many black voters may be less inclined to vote," the report said.

As a result, a campaign was devised to energize black voters.

That effort started in the administration, where some of that black apathy was evident. To turn blacks in the administration around, the outreach plan reported that many were invited to White House parties.

"We threw a Christmas party for the African-American appointees in December [1995] and plan to schedule other social events in the coming months as a way to energize and engage this group," said the Herman report.

The report suggested targeting 30 states. Twenty-six were campaign target states already.

"The remaining four, Alabama, Mississippi, South Carolina, and Virginia and the District of Columbia are recommended for the sake of credibility and black politics in African American communities," Miss Herman recommended.

Part of Miss Herman's strategy included the demonization of congressional Republicans.

"We might find that some blacks may well be more inspired to go to the polls in greater numbers to vote against the 'enemies of civil rights' than for the Democratic candidate," said the report.

The Herman report also sought to increase financial contributions from blacks.

"The black community has never given to its financial potential," the report concluded.

To coax blacks to donate more money to the Clinton-Gore ticket, Miss Herman suggested a two-pronged strategy. First, she called on the campaign to spend money in the black community by purchasing ads in black media and buying campaign trinkets from black vendors.

Second, the report laid out an "enticement" plan to reward large contributors with meetings at the White House.

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Divider Title: Jan. 25, 1997

Clinton hosted fund-raisers' 'coffees'

By Paul Bedard
THE WASHINGTON TIMES

A1

Met DNC, business chiefs at White House

The Democratic fund-raising scandal moved closer to the White House yesterday when the administration revealed that President Clinton joined with corporate donors and supporters in 71 "coffees" organized by party fund-raising officials.

Hundreds of pages of White House documents showed that the first lady, the vice president and his wife attended 32 more coffees at the Executive Mansion with major donors and Democratic fund-raisers. The administration previously described these events as mundane gatherings during which no fund raising was conducted.

Those who attended the coffees contributed \$6.5 million to the president's re-election campaign. At least \$600,000 of that amount was contributed shortly after the contributors' visits.

Fund raising is forbidden on White House grounds except in the president's residence.

Other papers released yesterday show that former Deputy Chief of Staff Harold Ickes ordered aides to draw up plans to court Asian-Americans, Hispanics, blacks and other ethnic groups by offering access to the White House.

"This is no longer a DNC fund-raising scandal, it's a White House fund-raising scandal," said Charles Lewis of the independent Center for Public Integrity. "This shifts the parameters of the unfolding scandal onto the White House doorstep."

The papers added a troubling element to the upcoming confirmation hearings of White House aide Alexis Herman, nominated to be labor secretary.

The documents show that she sat in on five of the coffees, attended by corporate executives and Democratic National Committee fund-raisers. Related papers show she was put in charge of Mr. Ickes' special project to woo minorities to vote for and fund Mr. Clinton's re-election — a project that had extensive fund-raising elements.

The Senate Labor Committee plans to investigate Miss Herman's role in fund raising and in the Ickes project, one Senate official said.

At the same time, a public-interest group released a video deposition from James Hackney, counsel to former Commerce Secretary Ronald H. Brown, in which he said Miss Herman coordinated

see CLINTON, page A5

From page A1.

briefings at the White House for participants in Commerce Department trade meetings.

At the coffees she arranged, the president or Vice President Al Gore would speak for up to an hour.

Larry Klayman, chairman of Judicial Watch, which secured the deposition, said it appears "that Alexis Herman, the person nominated by Clinton to head the Labor Department, was the point person at the White House for arranging for campaign contributors to go on trade missions."

White House officials rejected the charge.

In one set of papers, the White House listed the participants in 103 coffees set up by White House aides and Democratic fund-raisers. Mr. Clinton attended 71, Mr. Gore 23, first lady Hillary Rodham Clinton four and Tipper Gore five.

The hundreds of guests included major labor, banking and corporate executives. Several coffees were called to woo homosexual activists. For example, a coffee on Aug. 9, 1996, included Gary Schiff, youth college coordinator of the Human Rights Campaign, the nation's largest homosexual lobbying group.

Normally, top DNC or Clinton-

Gore re-election committee fund-raisers attended. For example, Marvin Rosen, finance chairman of the DNC, and Richard Sullivan, finance director of the DNC, jointly attended 30 of the coffees.

White House special associate counsel Lanny Davis said no fund raising was conducted at the coffees. "There's nothing wrong with having people at the White House," he said. "I'm not going to apologize for that."

Mr. Lewis countered that there was an appearance of impropriety in the meetings. "What it says to me is that the moral compass over there is broken," said the official of the Center for Public Integrity.

"The average American doesn't expect the White House to be sold."

Former Bush White House counsel C. Boyden Gray said the meetings "strike me as being unusual and wrong because of the appearance and the way the president's time is used."

Papers showed that, in one of the 103 coffees that took place in an 18-month period ending Aug. 23, 1996, both leading bank officials and the officials who regulate them, like Eugene A. Ludwig, comptroller of the Treasury, had been invited.

"A bank regulator being in a room with people in the industry that he regulates is not an unusual activity," Mr. Davis said.

But Rep. Gerald B.H. Solomon,

New York Republican and chairman of the House Rules Committee, said inviting the banking regulator to meet with bankers at a political event is "highly unethical."

Several of the coffee guest lists previously revealed showed that criminals and in one case a Chinese arms dealer attended, prompting the White House to claim that it was being used by Democratic fund-raisers, including John Huang, the former Democratic National Committee official at the center of the committee's fund-raising scandal.

Mr. Davis said the coffees were set up by the Democratic Party and campaign officials for "sustaining and developing political support."

A second stack of papers released by Mr. Davis yesterday detailed Mr. Ickes and Miss Herman's effort to build a fund-raising and vote-gathering project aimed at minorities.

Mr. Davis said all White House staff who worked on the project complied with Hatch Act rules and either did so after working their 40-hour weeks or not on government equipment. In the two cases where the reports were edited, the Clinton-Gore re-election committee repaid the Treasury \$917.

• Paul M. Rodriguez contributed to this report.

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INSIDE LABOR RELATIONS

Biweekly intelligence for the executive, tracking legal, political & regulatory developments affecting national labor policy

Vol. 4, No. 2, Part 1 of 2

January 24, 1997

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Alexis Herman's nomination as Secretary of Labor may be in trouble. I.L.R. learns. Concerns by several key lawmakers center on her role in awarding contracts during the waning days of the Carter administration, and whether she misled Congress about them. 1

Inside Congress

House report finds some smoke but no fire in circumstances surrounding Justice Dept. decision to settle racketeering charges against the Laborers Union. 4

Federal Casebook

Tackling the weighty issue of who is an employee, the Supreme Court says that whether someone is on the payroll — not necessarily working on a given day — is what counts. 8

In a blow to organized labor, the Sixth Circuit upholds a Michigan law that requires union members to annually affirm they want their dues money spent on political purposes. 6

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Special Report

Herman's Labor Nomination May Be In Trouble

The head of the Senate Labor Committee and other key lawmakers have serious questions about whether Alexis Herman should be confirmed as the next Labor Secretary, *I.L.R.* has learned.

Those concerns — which the White House was aware of before nominating Herman — center on the nominee's role in awarding more than \$100 million in midnight employment and training contracts during the last months of the Carter administration.

Specifically, Sen. Jeffords (R-Vt.) and other senators are raising questions about Herman's role in awarding Comprehensive Employment and Training Act contracts to two entities which, in turn, awarded nearly \$100,000 in subcontracts to a firm headed by Herman and the former DoL official responsible for training programs.

Congressional sources say another possibly damaging fact is that Herman's company apparently attempted to mislead the Senate Labor Committee about those subcontracts.

The firm stated "unambiguously" that it had received no contracts or subcontracts that used DoL funds when, in fact, Herman herself signed one of the questionable contracts three months earlier.

Sources say that both the Senate and White House now have copies of the DoL Inspector General's files relating to those contracts.

Let those contracts

During the last four months of the Carter administration, DoL's employment and training division pushed through 287 CETA contracts worth more than \$115 million, according to a General Accounting Office report.

Those contracts were the subject of a federal grand jury probe, which produced no indictments or written reports.

Ernest Green — then the Assistant Secretary for Employment and Training, and soon to become Herman's business partner — at the time acknowledged that the last-minute contracting rush was a deliberate strategy, designed to thwart Republican efforts to cutback or eliminate a key program.

President-elect Reagan's staff had stated their intention to take a hard look at the Comprehensive Employment and Training Act, under the terms of which those midnight contracts were let.

Two senior DoL officials told the Senate that Herman, at the time head of the Agency's Women's Bureau, played a key role in awarding the \$115 million in CETA contracts.

A line of contractors

The two men who ran the department's national programs testified that Herman was using their office as a base of operations during the presidential transition.

Although it is unclear exactly why Herman was helping let CETA contracts, Edward Kasvinsky and Steve Puterbaugh said that a "lot of individuals"—apparently businessmen waiting to have their contracts signed—were waiting outside Herman's temporary quarters.

They also said that the contracts did not have the proper justifications, and that Herman pressured them to approve a \$20,000 award that was later cancelled because DoL had "a multitude of questions surrounding" the proposal, according to a Labor Department memo.

The day before Reagan was sworn in, Ernest Green and Herman formed a consulting company that specialized in employment and training programs, as well as what the certificate of incorporation calls "labor relations, on-site and off-site relocation assistance and operating methodology to improve the quality and efficiency of employees' work life."

Subsequently, the Green-Herman firm received two subcontracts from firms that were awarded prime CETA contracts by the outgoing administration.

Hatch gets involved

The Senate is now questioning the two CETA subcontracts received by Green-Herman & Associates Inc., as well as whether the firm's attorney told the truth to the then chairman of the Labor Committee.

At the urging of Sen. Hatch (R-Utah), who then headed the labor panel, the DoL Inspector General looked into whether Green-Herman did any work for companies that had gotten CETA contracts.

Testifying before the committee, I.G. Thomas McBride said the company got two such contracts: a \$75,000 deal in which Green-Herman agreed to act as a subcontractor for Mel Harris Associates in helping phase-out a training program in Mobile.

Herman hails from that Alabama city, and, according to a biography of the Labor Secretary desig-

nate distributed by the Clinton administration, she started her career by developing training opportunities for workers in that municipality.

The other is what McBride called "a small contract" with the National Council of Negro Women. The IG declined to put a dollar amount on the contract, but DoL officials tell *ILR* it was "in the neighborhood" of \$20,000-\$25,000.

An unequivocal "no"

After the IG told committee investigators about the contracts, Hatch wrote a June 23, 1981 letter to Green asking him for a "list of any and all [CETA] contracts, subcontracts, grants or subgrants" the firm received.

The company's attorney said he could "state unequivocally" that Green-Herman Associates "has not received any contracts, subcontracts, grants or subgrants from the U.S. Department of Labor under the Comprehensive Employment Training Act."

The attorney also said the firm did not get "any other federal grant or contract program" and did not "set up any service contracts utilizing Labor Department funds, directly or indirectly."

The only problem with that statement is that it wasn't true.

Conflict with written record

On April 3, 1981, Herman personally signed the subcontract with Mel Harris & Associates, in which Green-Herman Associates agreed "to assist with" shutting down the Mobile County Consortium, a CETA contractor.

The DoL IG later said the \$75,000 that Green-Herman received from Mel Harris was "directly supported by the federal grant to the CETA prime contractor."

In other words, Herman's company had in fact received CETA money despite the company's representations to the Senate.

For his part, Green and the firm's attorney contended that they didn't understand Hatch's initial question, and as soon as they realized the inquiry included the Mobile subcontract, they mentioned it to committee investigators.

"We read your letter to mean whether or not Green-Herman had any [direct] contracts with the Department of Labor with funds authorized under the CETA act, and our respective response was that there were no contracts. We did not read the Mobile contract as coming within the contemplation of that question," said Robert Washington, an attorney with the D.C. office of Finley Cumble & Wagner.

"However, when we met with your staff and we had further discussion and further elucidation, we disclosed that this [contract] was the relationship."

Washington didn't say that the disclosure occurred a week before the Labor Committee held hearings on the last-minute CETA awards.

Herman did not respond to ILR's requests for an interview.

Past hearings

The Mobile contract is now at the center of Capitol Hill concerns that could sink Herman's nomination.

Publicly, no lawmaker is willing say they oppose Herman. For example, Joe Karpinski, a spokesman for Labor Committee Chairman Jaffords, says the senator "does not comment on nominees."

But a variety of sources both inside and outside the Senate tell ILR that Jaffords, Hatch, and at least a half-dozen other lawmakers are leaning against Herman.

In fact, congressional aides say that Hatch may use senatorial privilege to put a "hold" on the Labor Secretary-designate's nomination. Such a move would stall Herman until either Hatch is satisfied with her explanations, or President Clinton throws in the towel.

The sources say that the lawmakers have three basic questions about the incident:

- did either Green or Herman commit an ethics violation when the Alabama group gave their firm the subcontract?
- would approving Herman send the wrong signal to officials who are asked to testify before future Senate committees? and
- is Herman's nomination a signal of business as usual at a White House that some Senate aides contend ignores that body's legitimate concerns?

First, the ethics concerns

A nationally recognized federal ethics expert says the subcontract "comes perilously close" to violating current guidelines, which bar former officials from having any financial interest in a contract on which they worked.

It is unclear whether that prohibition was in place 18 years ago, when Green-Herman received the subcontract from Mel Harris.

Other ethicists say that shouldn't make a difference. "By accepting a subcontract from a contract that you had a hand in awarding, you are creating the appearance of impropriety," says another leading government ethics expert.

"It violates the small test," the first expert agrees, meaning the situation does not seem proper.

On to the political...

In addition, Senate insiders contend that many lawmakers are irate that Clinton would nominate someone whose company seemed to deliberately attempt to mislead congress.

An aide to a key lawmaker says, "Leaving aside the ethical issues, our concern is should we approve a

nominee who has such contempt for congress that she outright lies to us?"

"That's also our major concern," says a staffer for a minority member of the Labor Committee.

Finally, committee members are also concerned about whether the White House is getting the Senate's message.

Sources say that when Herman's name first surfaced as a potential replacement for Robert Reich, Jaffards told presidential aides that he thought she would have problems, given her role in the CETA contracts.

White House aides said the CETA incident was no problem, since Herman underwent an FBI background check before being appointed President Clinton's public liaison director.

As a result, Senate staffers say, the President nominated Herman knowing full well that she may face potentially crippling problems in the Senate.

"They just don't seem to understand that when we say we have problems with someone, we're not just talking to hear ourselves speak. We mean it," a congressional aide says.

Inside Congress

Nothing Behind LIUNA Deal

After a three-month investigation, and two days of hearings, the House acknowledges that there is some smoke but no fire surrounding a consent decree that ended a Justice Department racketeering case against the Laborers' Union.

But the House Crime Committee finds that the union leader's political and personal friendship with President Clinton, and his contributions to the Democratic Party, create the appearance of impropriety.

Specifically, the 28-page report charges that the White House connection raises questions about whether the Justice Department sub-pollied charges that Arthur Coia, the union leader, was connected to organized crime. (Excerpts from the report are printed as a Primary Source.)

Claming up unions

A decade ago, a presidential commission on organized crime recommended that the Justice Department target four unions the panel contended were infiltrated by the mob: the Teamsters, the International Longshoremen's Association, the Hotel Employees and Restaurant Employees and the Laborer's International Union of North America.

Following that report, DoJ filed suit against the Teamsters and HERE, and started investigations into the other two unions.

DoJ in 1984 filed a civil racketeering suit against LIUNA, alleging that union officers, including the president, have been "controlled by various members and associates of organized crime."

Specifically, the lawsuit charged that Arthur Coia, the current Laborer's leader, received kickbacks from insurance companies and shared that money with the head of the New England crime family, and that he planned to effectively abscond with union training funds.

Coia vehemently denied those charges and continues to do so.

Negotiations start

Soon after the complaint was filed in Chicago federal court, LIUNA began negotiations with DoJ.

As a result of the negotiations, DoJ and LIUNA entered into a consent decree similar to the one reached years earlier with the Teamsters.

The agreement ended investigative authority to an independent inspector general and a LIUNA attorney appointed by DoJ, and allowed members to, for the first time, elect the union's president.

Virtually the same day the agreement ending the lawsuit was signed, critics began charging that DoJ threw in the towel as a result of White House pressure.

For example, critics pointed to the fact that the same day DoJ filed its lawsuit, Coia received a handwritten note from President Clinton thanking the labor leader for a gift.

Congress gets involved

Seeing an opportunity to score some political points against President Clinton, the House investigated whether White House pressure played any role in DoJ recreating from its initial charges against LIUNA and Coia.

The Crime Subcommittee finds no evidence that anyone pressured DoJ into the settlement. But it does conclude that White House officials know about the allegations against Coia and ignored them.

In addition, the report finds the President's friendship with Coia created the appearance of a conflict of interest, and leads to questions about the LIUNA agreement.

While the facts gathered to date do not reveal a direct connection between the White House and the consent decree, serious concerns exist about the pro-

NEWS CLIPS ON ALEXIS HERMAN

WEEK OF JAN. 20--24

Woman Trends... National...

Clinton appoints more women for his second term.

There were three women in President Clinton's first cabinet, and if confirmed by the Senate, there will be four for his second term. The women include: Janet Reno, who is staying on as Attorney General. New women appointees include White House Public Liaison head, Alexis Herman, as secretary of labor; Aida Alvarez, who was director of the office of Federal Housing enterprise Oversight under Housing Secretary Henry Cisneros, to head the Small Business Administration, and Janet Yellen, a Federal Reserve Board member, to head the Council of Economic Advisers.

Interview with the President • Life without recessions • The Queen Her Secrets

U.S. News & World Report

JANUARY 27, 1997 / \$2.95

CLINTON (REPRISE)

He Hopes You Will Enjoy the Show



CLINTON'S
LONELY HEARTS
CLUB BAND



New look, familiar role

The lead story in this issue, "The Second Start" by Kenneth F. Walsh, describes the surprising ways in which Bill Clinton hopes to extend the power of the presidency in his new term. But he is not the only one with ideas about how big the government should be and what it should do. The cover of this issue, an illustration by London artist Janet Woolley based on the cover of the *Sgt. Pepper* album that the Beatles released 30 years ago,

suggests the crowded landscape in which the Clintons and Gores now operate. The background figures come from Congress, the president's friends and staff, his legal and political antagonists, even the pop-culture world that has both lionized and ridiculed the president. Since this magazine has taken artistic license with the photos to fit them into the *Sgt. Pepper* look, the list below explains who is meant to be who in the motley supporting cast.

The look of *U.S. News* is changing as well. With this issue we introduce a new design for the magazine. Successful publications are in a state of perpetual redesign, frequently introducing small changes that make their contents more attractive without departing from the character and values for which the publication is

known. In this issue we introduce a number of such changes at once. Many of them—including fresh fonts for headlines and body type, slightly altered page layouts, a new format for the opening Outlook section, and other devices to unify the look of the magazine—would be noticed by most readers only as a sense that articles are somehow more appealing.

The design also includes several new features, such as a page of brief news updates at the end of the magazine's main sections, and an enhanced presentation of our News You Can Use coverage. When *U.S. News* introduced this feature a

decade ago, it was a novel idea that serious journalism should include information of practical use in people's lives. Now that notion is familiar and widely imitated, but we believe we have taken a step forward with the expanded coverage of personal finance, health, personal technology, travel, work and family issues, and other forms of useful news we inaugurate today.

JAMES FALLOWS



1 Michael Bolton 2 Binyamin Netanyahu 3 Eleanor Roosevelt 4 Gene Sperling 5 Susan McDougal 6 Bruce Reed 7 Kenneth Starr 8 Hewitt Gingrich 9 Vernon Jordan 10 Trent Lott 11 Arianna Huffington 12 Sharon Stone 13 Paula Jones 14 Alexis Herman 15 Hillary Rutham Clinton 16 Bill Clinton 17 Al Gore 18 Tipper Gore 19 Richard Nixon 20 Teddy Roosevelt 21 Boris Yeltsin

Outlook 1997

I WOULD LIKE TO COMPLIMENT YOU ON the Special Double Issue [Dec. 30, 1996-Jan. 6, 1997]. The positive attitudes and constructive reasoning were commendable. It is responsible journalism at its best, and the courage to stick with such a format is admirable. There no doubt will be detractors and those who recoil from sensible pragmatic solutions, but we need more practical, sound reasoning.

ROBERT G. GRIMES
Jacksonville, Fla.

YOUR "20 SILVER BULLETS" SECTION WAS so refreshing. To turn the influence of the press toward solutions that affect the majority of us is a higher achievement than to sash in the decay of the sad extremes of the world we inhabit. Even if one doesn't agree with the proposed solutions, it was most important that much of the issue seemed to have a positive theme. Even "The Law of Welcome Surprises" took an unexpected point of view, which I'm sure was much harder since it

was about the government. If you can continue this approach, I believe that your readership and the press's reputation should take a turn for the better.

HOWARD SMITH
Newark, Del.

I SPEAK FROM THE VANTAGE POINT OF 50 years in newspapers, 43 of them in Washington. Save us the aggravation and disbelief of your so-called solutions to save the world. We have elected officials, politicians, ivory tower dreamers, economic planners, etc.—all available with instant "solutions" to every problem under the sun. It makes no sense and does your readers a distinct disservice to pick and choose among them as the possible or preferred road to high ground. The business of the press is to enlighten and inform, not to solve.

LLOYD M. SCHWARTZ
Alexandria, Va.

Housing costs

YOUR "20 SILVER BULLETS" CONTAINED many excellent ideas. However, "How to

Make Housing Affordable: Let People Subdivide Their Homes" [Silver Bullet No. 7], was not one of them. You state that those communities that allow accessory apartments "do not seem the worse off for it." You must not have looked at many neighborhoods where a significant number of homes have been duplexed. The bottom line is that most such neighborhoods suffer. Your glowing accounts of how well this theory can work were so far from reality that I laughed out loud. I'm sure that if most people could get "a classical musician" as a tenant, there would be few problems. Unfortunately, finding stable, quality renters is not easy. There are better solutions to affordable housing than to decimate existing neighborhoods by chopping up homes built as single family units. One idea: Sprinkle duplexes and four-flats into new subdivisions. Another solution is what many people in our area have done: Move into an "iffy" neighborhood where property is generally cheaper and invest a lot of effort into turning it around. Our city has created a program that pays homeowners a substantial sum to convert their houses

Washington Wire ^{AV}

CABINET NOMINEES begin to map plans as confirmation hearings proceed.

Commerce secretary nominee William Daley, at his hearing next week, will likely face questions about his ties to the Chicago Democratic Party's money machine. Fellow Republicans will press defense nominee William Cohen on speeding up the building of missile defenses, which he backs and the administration opposes.

→ Labor secretary designate Alexis Herman wants to focus on working-women issues, including an examination of why women earn smaller pensions than men. As secretary of state, Madeleine Albright will initially shun Mideast shuttle diplomacy, which did little for Christopher. Transportation nominee Rodney Slater, an expert on roads, is briefed about airline safety and regulatory policies.

The Education Department, where Secretary Riley remains, hopes to enlist Robert Redford to promote a volunteer-readers program for children.

FIXING SOCIAL SECURITY: The Committee for Economic Development, which is backed by big business, will soon release a report on revamping Social Security. Among its recommendations: Increase payroll taxes to finance individual retirement savings accounts, and raise the retirement age.

→ **PERSONNEL PICKS:** Clinton taps former top aide Harold Ickes to organize the G-7 meeting in Denver this summer. Gore staffer Thurgood Marshall III is expected to head the White House cabinet-liaison office; the Labor Department's Maria Echaveste, who was mentioned for labor secretary, will likely run the public-liaison office.

Initial Jobless Claims Fell Sharply in Week

A2

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Initial claims for state unemployment insurance last week were down 32,000 to 323,000, the biggest drop in almost six months, the Labor Department said.

The latest week's decline follows an unusual weather-related rise in December. Generally, claims have been trending upward since August.

The four-week moving average of claims, considered to be a better indicator of labor-market health, fell 6,750 to 348,750 but remains high relative to last year's level. However, analysts said it is premature to conclude that labor markets have changed. The holidays tend to distort the level of claims at this time of year. But if claims creep above 360,000 and stay there, that would signal that labor markets are loosening up.

UAL CORP.

Members of Pilots Union Reject a Pay Raise Plan ^{B4}

Members of the pilots union at UAL Corp.'s United Airlines overwhelmingly rejected a tentative pay increase in a tally announced yesterday. A spokesman for the Air Lines Pilots Association said 90% of United's 8,500 pilots returned ballots. Of those, 80% voted against the proposed pay increase of 10% over four years. The issue now will go to binding arbitration. Chicago-based United, which is 55%-owned by employees, is "sorry" about the pilot vote. Gerald Greenwald, chairman and chief executive officer, said in a message to employees. He said he takes responsibility that employee ownership hasn't overnight erased past suspicions and mistrust.

WP Dec. 17, 1996
BYTES

ONLINE PENSION SEARCH

Anationwide Internet search by the federal government's pension insurance agency has found 275 people who are owed \$1.15 million in retirement benefits, the Associated Press reported.

On Dec. 3, the Labor Department and its Pension Benefits Guaranty Corp. initiated a search for about 3,000 people owed \$10 million in benefits from terminated defined pension plans. As of last week, it had found missing pensioners in 41 states who worked for 115 firms. They were owed benefits ranging from \$6 to \$66,000.

The PBGC said people tapped electronically into its Internet Pension Search Directory more than 88,500 times from Dec. 3 to last Monday. The directory is available on the World Wide Web at search.pbgc.gov and by telephone at 1-800-326-5678.

Additions to White House Team 1/20 A25

■ The final staffing pieces are falling into place at the White House. Word was Cabinet secretary Kathryn "Kitty" Higgins, formerly chief of staff to Labor Secretary Robert B. Reich, would be heading back over to Labor, but this time to be deputy secretary.

Her White House spot appears to be going to Thurgood Marshall Jr., now legislative chief for Vice President Gore. Also in the Gore shop, former representative Cleo Fields (D-La.) is in negotiations over taking on a new White House slot involving empowerment zones.

E4 1/20

LABOR

Alexis Herman, 49

Home state: Alabama

Previous positions in government: White House director of public liaison (1993-96); director of the Labor Department's Women's Bureau (1977-81)

Connections: Deputy director of Clinton's 1992 transition team. Headed Democratic National Convention Committee during Clinton's first campaign and was chief of staff at DNC.



5

WHERE THE POWER IS

A guide to who's on top (for now) in the government



Secretary of State
*Madeline Albright**



Secretary of Defense
*William Cohen**



Secretary of the Interior
Bruce Babbitt



Secretary of Commerce
*William Daley**



Secretary of Housing and
Urban Development
*Andrew Cuomo**



Secretary of the Treasury
Robert Rubin



Attorney General
Janet Reno



Secretary of Agriculture
Dan Glickman



Secretary of Labor
*Alexis Herman**



Secretary of
Transportation
*Rodney Slater**



Secretary of Energy
*Federico Pena**



Secretary of Education
Richard Riley



Secretary of Health and
Human Services
Donna Shalala



Secretary of
Veterans Affairs
Jesse Brown

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Thompson told BNA he had not yet seen the letter, and did not want to comment. □

— *By Cheryl Bolen*

Employment

Dodd Proposes FMLA Expansion By Lowering Coverage Threshold

Sen. Christopher Dodd (D-Conn), an original co-sponsor of the Family and Medical Leave Act, introduced legislation Jan. 22 that would lower the threshold for coverage under the law from employers with 50 or more employees to those with 25 or more.

The change would expand FMLA's protections to an additional 13 million Americans, Dodd said. It would raise the proportion of the U.S. workforce covered under FMLA from its current level of 57 percent to 71 percent. The law allows covered employees to take up to 12 weeks of unpaid leave to care for a newborn child, a seriously ill relative, or because of their own serious health condition.

This is the type of common-sense legislation that makes a real, positive difference in the lives of the American people without burdening business," Dodd said in a statement. "Let's extend these important protections to more of our nation's hardest workers," he added.

The Labor Department's Wage and Hour Division has received a total of 6,346 complaints charging violations of the FMLA since the law went into effect in August 1993. Of the 58 percent of cases in which it determined that an apparent violation of the law existed, 90 percent were resolved successfully. □

Labor Department

Senate Panel Checking Herman's Possible Link To Improper Fund-Raising Activities

Sen. James M. Jeffords (R-Vt), chairman of the Senate Labor and Human Resources Committee, said Jan. 22 that confirmation of former White House adviser Alexis M. Herman to be secretary of labor may hinge on the results of an inquiry by the Senate Governmental Affairs Committee into her possible role in alleged campaign finance violations by the Democratic National Committee.

Jeffords told BNA following an organizational meeting of the Senate Labor and Human Resources Committee that he was unable to say when the committee would schedule a hearing on Herman's nomination. "It's taking some time for the Government Affairs Committee to get geared up for looking into" whether Herman was aware of any improper campaign contributions, he said. Jeffords said the committee charged with investigating the alleged improper contributions is "tracing the money train and contributions."

Jeffords emphasized that he had not received any information indicating that Herman had done anything improper or that she should not be confirmed.

"She's had an interesting past. She's been involved in several matters and unfortunately some of those had controversy. I have nothing before me yet that gives me any deep concern about her being able to be confirmed. On the other hand, it's my duty and obligation to make sure we check out every area where there have been some questions raised," he said.

Areas That 'Require Some Examination'

Earlier during the meeting, Jeffords told members of the committee that he could not say when the committee would hold a hearing on Herman's confirmation because "there are several areas that require some examination." A staff aide with the Senate Governmental Affairs Committee, which is chaired by Sen. Fred Thompson (R-Tenn), refused to comment on whether the panel is investigating Herman. He said public hearings into the allegations of campaign finance law violations are unlikely to take place before March. Herman could not be reached for comment.

"We are working with the Congress to prepare for Alexis' confirmation and we are enthusiastic about her chances," Deputy White House Press Secretary Mary Ellen Glynn said.

Herman served as White House public liaison before being nominated by Clinton to succeed Robert B. Reich as labor secretary. She served as chief executive officer of the 1992 Democratic National Convention after working from 1989 to 1991 as deputy chair and chief of staff at the DNC.

Herman has extensive private sector experience developing employment opportunities for minorities and women in addition to her public service as head of the Labor Department's Women's Bureau during the Carter administration from 1977 to 1981. □

— *By Court Gifford and Deborah Billings*

Communications

Internet Coalition Sees No 'Gridlock,' Says Solution Is Technology, Not Fees

Consumers using the telephone system for Internet access are not causing "gridlock" on the system, and are paying their fair share of the costs, representatives of the Internet Access Coalition told a Jan. 22 press conference in Washington, D.C.

Coalition members rejected suggestions that Internet access charges should be imposed. They said the ultimate solution to any developing congestion problems lies in the introduction of new communications technology that can deal with the growing importance of data transmissions via the telephone system.

The coalition is a recently created group, with membership representing major information technology associations and high-technology companies. Its stated objective is protecting U.S. Internet consumers.

The issue of Internet-related increases in telephone traffic has become controversial in recent months. Regional Bell operating companies have charged that Internet users are clogging the phone network, because they tend to stay on the line much longer than

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Washington Wire

A Special Weekly Report From
The Wall Street Journal's
Capital Bureau **A1**

REPUBLICANS GEAR UP for Congress's probes of Democratic fund-raising.

Tennessee's Thompson, who will head the February Senate hearings, is expected to tap fellow Watergate Committee veteran Michael Madigan as his chief counsel. Madigan is with the Washington law firm of Akin Gump, which has Democratic ties. The former prosecutors Thompson has been hiring are being told to report to work next week.

House Republicans still squabble over who will lead their investigation. Speaker Gingrich's ethics woes may cause them to let the Senate do most of the work. Common Cause asks the Justice Department to probe Clinton's June 18 White House meeting with a Thai-American woman who gave the Democratic National Committee \$185,000.

Democrats ponder how to put some of the onus for campaign-money abuses back on the GOP, with an eye toward Sen. Thompson's own fund-raising.

NERVOUS NEW YEAR: Hong Kong looms as a friction point in U.S.-China ties.

Sen. Helms's foreign-relations panel plans early hearings on Hong Kong's return to Chinese rule next July 1. A focus will be monitoring whether China continues freedoms there. Critics also will grill Secretary of State-designate Albright at her confirmation hearing next week on whether a Chinese crackdown in Hong Kong would derail Sino-U.S. summit plans this year.

In the House, Illinois Rep. Porter will reintroduce a bill that would provide emergency visas for up to 1,500 Hong Kong journalists, if needed. The White House braces for a U.S. visit this spring by Hong Kong political dissident Martin Lee. A senior U.S. official says the administration backs Lee's goal of maintaining genuine democracy, but his style is too confrontational.

DUELING FOR DOLLARS: Agencies press for more in the coming budget.

State's Christopher and Albright persuade Clinton to seek more than his budget office proposed to pay part of the U.S.'s back dues to the U.N. Treasury's Rubin and Summers vow to press in Congress for added aid to international financial institutions. They brace for a fight over the International Monetary Fund's plan to ask all member countries to kick in more money.

Transportation Secretary Pena, stuck defending a low priority, doesn't fare well in his Oval Office appeal. Still up in the air: Whether the budget will spell out a plan for the federal government to help the troubled District of Columbia.

If the State of the Union speech is the first week of February, the budget may be delayed beyond the Feb. 3 deadline.

ARCHER ASSERTS his power in GOP budget plans by following up his recent coffee klatch with Clinton with more meetings with top officials. The House Ways and Means chairman will confer next week with White House staff chief Bowles and plans talks with Rubin and HHS's Shalala.

SECOND THOUGHTS: After complaints from GOP governors and election defections among immigrant voters, congressional Republicans consider tempering the cutoff of aid to legal immigrants under the new welfare law. One option: creating a \$2 billion, two-year block grant to states to preserve some benefits.

THE WALL STREET JOURNAL
FRIDAY, JANUARY 3, 1997

TAKING STOCK: The long-promised report of the advisory commission on Social Security will finally be released on Monday. The panel is divided over three proposals to privatize all or part of the program, including putting some trust-fund assets in stock.

RAISING THE ROOF: The administration considers a plan to boost the FHA single-family home-loan ceiling to \$214,600 from \$155,250, upsetting competing private insurers. "You're . . . talking about people earning \$82,000 having access to a government program," says Suzanne Hutchinson, from one industry group.

NO CONFIRMATION FIGHT is likely over Alexis Herman as labor secretary.

The nominee, a White House aide, may be asked if she knows anything about the Democratic money flap. The former Carter official also probably will be questioned about her role in the award of federal contracts to Democrats in the final days of the Carter administration. But Republicans aren't interested "in a street fight," says Senate Labor Committee member Judd Gregg.

Unions, after seeking to head off Herman's appointment, now line up behind her. Business groups say they only hope she will be less union-friendly than Reich. "We desperately need someone in that role who recognizes that 90% of workers are not represented by [AFL-CIO President] John Sweeney," says Peter Eide of the U.S. Chamber of Commerce.

Some business officials speculate GOP senators are reluctant to attack Herman partly because she is an African-American woman.

MINOR MEMOS: "It's the new year in Washington," says comedian Dave Werner, "and over at the White House, Indonesian businessmen are still writing 1996 on their checks." . . . At the New Year's Renaissance gathering in South Carolina attended by Clinton, comic Al Franken suggests meeting next year in the Lincoln bedroom to discuss topics like "what my mother never told me" about Federal Election Commission rules. . . . At least he finished first at something: The No. 1 fake name given nationwide when ordering Domino's pizza last year was Bob Dole.

—RONALD G. SHAFER

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I.A. TIMES / NEWS / POLITICS & GOVERNMENT / STORY

Los Angeles Times

POLITICS &
POLLSReal
News. PATHFINDER
Personal Edition

Saturday, December 21, 1996

PREV STORY

NEXT STORY

FRONT PAGE

NATION & WORLD

STATE & LOCAL

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BUSINESS &
TECHNOLOGY

LIFE & STYLE

CALENDAR

COMMENTARY

WEEKLY SECTIONS

ORANGE COUNTY

SAN FERNANDO
VALLEY

VENTURA COUNTY

Herman: A Power Behind the Throne

■ Labor: White House aide uses behind-the-scenes skills in helping to secure her nomination as first black woman for the Cabinet post.

By MARC LACEY, STUART SILVERSTEIN, Times Staff Writers

WASHINGTON--Inside the White House, Alexis M. Herman spends the day with a telephone pressed to her ear, dialing the contacts in her bulging Rolodex. As director of the office of public liaison, it is her job to stroke egos outside the White House gates and marshal support for presidential policies when all seems lost.

But in recent weeks, she has had an issue on her plate far more personal than the North American Free Trade Agreement, Bosnia or than any other presidential directive--her own nomination as secretary of Labor.

With at least two other candidates in the mix and intense angling underway to sway President Clinton, Herman used her skills as a behind-the-scenes operator to round up enough backing among African Americans, women and cross-the-aisle Republicans to help persuade the president to appoint her as the first black woman to serve in the Labor post.

The struggle was nothing new for Herman, 49, a onetime Alabama social worker who has spent her career manipulating the system from the shadows.

After graduating from Xavier University in New Orleans in 1969, she returned to her hometown of Mobile to help desegregate her old high school. As a young social worker, she fought to get a black woman admitted to an all-white labor union at a Mississippi shipyard.

"She could have stood on a soap box and said unions are bad because they don't admit blacks," said Rochelle Horowitz, former political director for the American Federation of Teachers. "She didn't do that. She does what she always does--she worked behind the scenes to admit them."

Herman spent most of her early career promoting job-training programs for women at a variety of social service organizations in the South.

After taking a mid-level position in the Carter administration, she joined Ronald H. Brown at the Democratic National Committee as his chief of staff.

Among her tasks was the delicate job of negotiating with New York City trade unions in advance of the 1992 Democratic National Convention.

* * *

In announcing Herman's nomination at the White House on Friday, Clinton praised her for helping to soothe the Democrats' many constituencies, from the business groups he needed on his side to pass the trade pact to the Eastern European immigrants he consulted on the U.S. peacekeeping operation in Bosnia.

"She is my eyes and ears," he said.

In her own cause, Herman reached out to Republicans to help

Herman: A Power Behind the Throne

...com/HOME/NEWS/POLITICS/t000111501.html

smooth her confirmation hearing even before she was sure that she would get the nomination. And she called Sen. Edward M. Kennedy (D-Mass.) on Friday to mend fences, since he had backed former Sen. Harris Wofford (D-Pa.) for the job.

Becoming secretary would return Herman to a familiar bureaucracy, since she was deputy undersecretary of Labor under Carter.

"She knows the Labor Department far better than I did when I came here," said outgoing Labor Secretary Robert B. Reich, who used the job to push for middle-class tax cuts and a boost in the minimum wage.

Her former boss, Ray Marshall, said that Herman is a natural for the balancing act necessary for the job.

"It's not easy," said Marshall, who was secretary of Labor from 1977 to 1981. "Sometimes the unions are not going to be happy with you. Other times the Congress or business groups won't be happy."

Herman knows about that tightrope.

The AFL-CIO, the umbrella group for the nation's major unions, lined up behind Wofford for Labor secretary while griping that Herman lacked a "passion" or "empathy" for labor issues. Latino groups and Californians, meanwhile, backed Rep. Esteban E. Torres (D-Pico Rivera).

In the end, Herman appears to have prodded some naysayers into her camp. Lawmakers in both parties signaled support for her Friday. And once-skeptical unions began looking at her anew.

"We believe Alexis' experience--growing up in the rural South, advancing the interests of working women and minorities and dealing with the issues of a changing work force--will be a tremendous asset," said AFL-CIO President John J. Sweeney.

Times staff writer Elizabeth Shogren contributed to this story.

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Divider Title: Dec. 21, 1996

Cuomo appreciated for humility and diligence

ASSOCIATED PRESS

Andrew Cuomo came to Washington for a thankless task: coordinating federal policies on homelessness from an agency in the neither regions of the Clinton administration, standing in the shadow of a popular boss.

Mr. Cuomo came anyway, and he juggled his job as an assistant secretary under Henry G. Cisneros, secretary of housing and urban development with political duties. They ranged from helping Vice President Al Gore practice for his campaign debate to running the

campaign of Mr. Cuomo's father, Mario Cuomo — and breaking the news the elder Mr. Cuomo had been voted out as New York governor.

It might have seemed like work-shollism with no end in sight, but it was effective. Now, Andrew Cuomo has been nominated to take on the top job at HUD.

Until now an assistant secretary at HUD, Mr. Cuomo, 38, said just last month that he wanted to go back to his native New York, where he had been talked about as a possible Democratic challenger in

1998 to Republican Sen. Alfonse M. D'Amato.

Such a campaign, no doubt, would provide a shot at sweet revenge. Mr. D'Amato was a key player in the campaign of George E. Pataki, who defeated the elder Mr. Cuomo in 1994.

But Andrew Cuomo, also had said he had some private-sector opportunities that could keep him in Washington, where he has set up a comfortable life with his wife, Kerry Kennedy Cuomo, and their twin daughters.

Mr. Cuomo's work at HUD was

an outgrowth of HELP, or Housing Enterprise for the Less Privileged, an effort he founded in New York. HELP is a private entity that provides temporary housing for the homeless and links them with other services ranging from drug treatment to alcohol training.

Mr. Cuomo, with the enthusiastic blessing of Mr. Cisneros, turned the idea into a "continuum of care" strategy that HUD now employs to move homeless people from the streets into interim housing, support services, then homes of their own.

During Mr. Cuomo's time at HUD, the agency has managed to hold off big decreases in budget allotments for the homeless. This year, homeless programs received \$823 million, the same amount as last year, when Republicans in Congress considered wiping out the agency.

Mr. Cuomo is a graduate of Fordham University and Albany Law School. He worked as a special assistant to his father, a corporate attorney and a prosecutor in Manhattan before founding HELP in 1986.

Herman: 'Queen of schmooze'

Labor pick known as good persuader

By David R. Sands
THE WASHINGTON TIMES

A woman known for her one-on-one persuasion skills is stepping into a Cabinet post her predecessor transformed into one of the Clinton administration's bluest pulpit.

Alexis Herman, President Clinton's choice to run the Labor Department, earned the nickname "the queen of schmooze" for her ability to work a room as chief of staff at the Democratic National Committee and, more recently, as the head of the White House's public-liaison office.

The man she replaces — Robert B. Reich — used the Labor post as a megaphone to push favored policies and ideas, from a higher minimum wage to pension policy to job training and education.

Mr. Reich, who is leaving to return to his academic and writing life at Harvard University, more than occasionally clashed with more fiscally conservative members of the administration over social policy.

The 49-year-old Miss Herman, who will be one of three black members of Mr. Clinton's second-term Cabinet, more likely will cut a lower profile — though that may not translate into fewer accomplishments.

"I have always worked hard to find practical solutions to the issues and the challenges that American workers face," she said yesterday in accepting the nomination. "I understand work and I understand workers."

The Mobile, Ala., native is a longtime advocate for women and minorities, and comes from a politically active home. Her father was a civil rights activist who once sued the Democratic Party to let blacks vote.

After graduating from Xavier University in New Orleans, Miss Herman returned home to help desegregate her old high school.

She has had a previous stint at the Labor Department, directing the agency's Women's Bureau during the Carter administration. Since 1993, Miss Herman has been Mr. Clinton's chief emissary to the Congressional Black Caucus and other minority and women's groups.

Her vaunted people skills may be tested early.

She was intimately involved in the Clinton administration's campaign to pass the North American Free Trade Agreement in 1993, which organized labor strenuously opposed. AFL-CIO President John Sweeney and other top labor leaders openly lobbied for former Sen. Harris Wofford, Pennsylvania Democrat, as Mr. Reich's successor.

But her close ties to Mr. Clinton and the backing of Vice President Al Gore helped Miss Herman, and her promises to consult with labor officials about key policy decisions smoothed the way to her nomination.

"Alexis Herman is a wonderful choice for secretary of Labor," Mr. Sweeney said in a statement yesterday. "She knows and understands working families' concerns and we look forward to working closely with her."

• This article is based in part on wire service reports.

After Pitched Battle, Herman Wins Out

By Kevin Merida
and Frank Swoboda
Washington Post Staff Writers

When Commerce Secretary Ronald H. Brown was killed in a plane crash in April, it was Alexis Herman—the White House director of public liaison and a longtime Brown confidant—who put aside her own tears and became chief planner for the public and private grieving over his death.

"She was just phenomenal organizing everyone around Ron's accident," recalled Brown's widow, Alma. "Just bringing the whole apparatus together—the religious community, the kids, our personal friends, the White House. . . . Everyone kept asking me, 'What about this? What about that?' My only answer was, 'Ask Alexis.' She was my eyes and ears. She's probably one of the best organizers of her time."

Ironically, Brown's tragedy drew President Clinton closer to Herman, perhaps influencing his decision to reject candidates proposed by labor leaders and other advisers and tap her as his next labor secretary yesterday. Not only have Clinton and Herman known and liked each other for many years—both are political creatures adept at working a room—but they shared a special relationship with Brown, who played a key role in helping Clinton win the presidency in 1992.

Under Democratic National Chairman Brown, Herman was appointed DNC chief of staff and chief executive officer of the 1992 Democratic convention. Yesterday, Clinton called her "one of [Brown's] closest advisers."

As director of the White House Office of Public Liaison since 1993, Herman has been responsible for putting together coalitions around issues and sometimes smoothing over rough relations with key constituencies. One of her techniques is to arrange informal dinner parties to elicit feedback and sell controversial administration initiatives, as she did before Clinton's policy announcement on affirmative action last year.

But the pitched battle over who would be nominated to the labor post was among the most intense the White House has faced over a cabinet appointment. And though there was public praise for Herman's nomination yesterday, some labor leaders made it privately clear they were not at all pleased.

Joined by Sen. Edward M. Kennedy (D-Mass.), organized labor initially had lined up behind former senator Harris Wofford of Pennsylvania, dismissing Herman as not of sufficient stature to hold her own against Treasury Secretary Robert E. Rubin at the National Economic Council. When it became apparent that Clinton would not name Wofford, the AFL-CIO threw its support behind Rep. Esteban Edward Torres (D-Calif.), a former United Auto Workers official with a nearly 100 percent pro-labor voting record in Congress, and former representative Alan Wheat of Missouri, an African American with close ties to Minority Whip David Bonior (D-Mich.).

In addition, union officials and Sen. James M. Jeffords (R-Vt.), in line to become chairman of the Labor and Human Resources Committee, raised with the White House potential problems with Herman's confirmation, including questions about her tenure at the DNC and at the Labor Department during the Carter administration, and her business dealings as a diversity consultant.

Yesterday, however, there was an attempt to publicly bury animosities and get behind Herman's confirmation. "Alexis Herman is a wonderful choice for secretary of labor," said AFL-CIO President John Sweeney in a statement released by the federation. "She knows and understands working families' concerns, and we look forward to working closely with her to put their interests at the top of the national agenda." Sweeney described his relationship with Herman as "excellent."

Kennedy spoke with the president Thursday night and Herman yesterday morning and pledged to work hard to get her confirmed. "Senator Kennedy strongly supports the nomination of Alexis Herman and looks forward to working closely with her as secretary," said Kennedy spokesman Jim Manley.

Jesse L. Jackson, one of those who lobbied hard for Herman, said he conveyed to Sweeney that "it was important that our basic coalition not be ruptured over this issue." And C. DeLores Tucker, chair of the National Political Congress of Black Women, said black women's groups pressed

the case for Herman, who is black, with Vice President Gore—an ally—until the final hours before the decision was made. "We reminded everyone that African American women gave President Clinton the highest percentage he got from anyone," she said, citing exit-polling data showing Clinton got 89 percent of black women's votes.

Herman, 49, grew up in Mobile, Ala., the daughter of a politically active father who sued the Democratic Party to make it more inclusive. He ended up being Alabama's first black wardman. After graduating from Xavier University in New Orleans, Herman returned to help desegregate her high school.

Her early activism included helping unskilled workers get hired at shipyards in Pascagoula, Miss., the home town of Senate Majority Leader Trent Lott. "I have always worked hard to find practical solutions to the

issues and challenges that American workers face," Herman said at a news conference yesterday. "I understand work, and I understand workers."

"She has a great background in labor," said Jackson, a longtime friend. "She worked with A. Philip Randolph. . . . She elevated women in the Department of Labor."

From 1977 to 1981, she was director of Labor's Women's Bureau during the Carter administration.

Outgoing Labor Secretary Robert B. Reich, who also was not an initial favorite of big labor, said Herman's "unique blend of experience—from social worker to White House assistant to the president—equips her with the skills and resolve to be a strong and articulate voice for working families."

Staff researcher Barbara J. Saffir contributed to this report.

IN PROFILE

ALEXIS HERMAN, chosen as labor secretary.

Personal: Age: 49. Single

Education: Bachelor's, Xavier University '69

Career highlights:

- White House director of public liaison, 1993-present
- Chief executive, Democratic National Convention Committee, 1991-92
- Chief of staff and vice chairman, Democratic National Committee, 1988
- Founder, marketing and management firm
- Director, Women's Bureau, Labor Department, 1977-81

Clinton on Herman:

"She has been a successful businesswoman and a leader in efforts to bring minorities into the economic mainstream. And for the past four years . . . she has been my eyes and ears, working to connect the American people, business and labor, individuals and communities with their government."

"I said throughout the campaign that we have to help parents succeed at home and at work, and give working people the training they need to succeed in the new economy."

"For years now I have been trying to prevail upon the Congress to consolidate training programs and pass a GI bill for America's workers. All these things we must do in the next four years. As secretary of labor, Alexis Herman will be a true national leader in this mission on behalf of working families."

THE WASHINGTON POST

Clinton Fills Cabinet After Scramble to Diversify

By DAVID E. ROSENBAUM

WASHINGTON, Dec. 20 — President Clinton filled out his Cabinet for his second term today after a last-minute scramble to give the team more racial and ethnic diversity.

The President's final decision, made in a meeting that lasted until after midnight Thursday, was to pick Federico F. Peña to be Secretary of Energy. Mr. Peña, who has been Secretary of Transportation for the last four years, had begged out of that job and had expected to leave Washington next month.

To replace Mr. Peña at the Transportation Department, Mr. Clinton chose Rodney Slater, now the Federal Highway Administrator.

The other Cabinet choices announced today were Alexis Herman, a White House staff assistant, to be Secretary of Labor, and Andrew M. Cuomo, a son of former Gov. Mario M. Cuomo of New York, to be Secretary of Housing and Urban Development. Andrew Cuomo is now an Assistant Housing Secretary.

Mr. Peña was apparently selected because of the President's concern that without him the 14-member Cabinet would have no Hispanic member. In the election last month, according to polls of voters as they left the polling places, Mr. Clinton won 72 percent of the votes of Hispanics, 7 percent of his total vote. Groups representing Hispanic interests in Washington have made that point prominently in recent days.

At a brief news conference at the end of the announcement ceremony today, the President was asked whether he felt pressure from interest groups to diversify his Cabinet.

"No," the President replied, "the pressure was pressure I put on myself. I believe that one of my jobs at this moment in history is to demonstrate by the team I put together that no group of people should be excluded from service to our country and that all people are capable of serving."

"So I have striven," Mr. Clinton continued, "to achieve both excellence and diversity."

One of his campaign promises in 1992 was to have a Cabinet that looked like America. He did not emphasize that point in this year's race.

Mr. Slater and Ms. Herman are black, and Mr. Cuomo is white. The

Continued on Page 10, Column 1

Continued From Page 1

entire Cabinet now includes 10 whites, three blacks, one Hispanic and four women, three of whom are white. The President named his foreign policy and economic teams earlier this month.

Mr. Clinton's new Cabinet consists of familiar faces, almost all of whom were already in the Administration in one capacity or another. This seemed to indicate that the President was satisfied with the way things have been going and did not anticipate any sharp departures from past practices.

Some top members of the White House staff did not learn of Mr. Peña's selection until they arrived at work this morning, and Mr. Peña himself was said to have been somewhat surprised by the turn of events.

When his turn came to speak today, Mr. Peña joked, "I think perhaps the first thing I will be doing is taking down the 'for sale' sign that is in front of our house."

But lobbyists for Hispanic interests were still dissatisfied. "We're not happy," said Charles Kamasaki, national vice president of the National Council of La Raza. "After an election which demonstrated a watershed in terms of Latino turnout and support for the President, we have a reduction in the number of Cabinet members. And the remaining Cabinet member is with an agency, which is energy, which has marginal influence over the key domestic policy issues of importance to us."

The current Cabinet has a second Hispanic member, Housing Secretary Henry Cisneros, who is leaving the Government. Perhaps sensitive to the criticism, Mr. Clinton made a point today of announcing the nomination of Aida Alvarez to be director of the Small Business Administration, generally a position of secondary importance.

Another Hispanic, Representative Bill Richardson of New Mexico, has been picked to be the United States Representative to the United Nations, a top-level post but not technically part of the Cabinet.

By picking Ms. Herman to be Labor Secretary, the President sided with the candidate favored by women's groups and civil rights organizations and against the one preferred by organized labor, former Senator Harris Wofford of Pennsylvania.

Mr. Clinton said he had considered "a number of superbly qualified people" for the position and mentioned Mr. Wofford and Representative Esteban Torres of California by name. Mr. Torres was favored by Hispanic groups.

In addition to his Cabinet choices, Mr. Clinton announced these other selections today:

¶Janet Yellen, a member of the Federal Reserve Board, to be chairman of the Council of Economic Advisers.

¶Thomas F. McClarty, Mr. Clinton's first chief of staff and now counselor to the President, to be a special envoy to Latin America.

¶Bruce Reed, a deputy assistant to the President, to be the chief domestic policy adviser.

The announcement ceremony proved a bit awkward at the outset with 26 people lined up on the stage of the auditorium of the Old Executive Office Building across the street from the White House. They included officials who were coming into the Administration, those who were being replaced and several who are staying on in their current jobs, including Attorney General Janet Reno.

They were ushered onto the stage at about noon, when the ceremony was scheduled to begin, but Mr. Clinton kept them waiting for nearly half an hour.

The delay was too much for one of

Mr. Cuomo's twin daughters, Cara, who will be 2 years old next month, and she began to cry while Mr. Clinton was talking. Mr. Cuomo's wife, Kerry, who was holding the child, is a daughter of Robert F. Kennedy.

"Relax," the President said, "this is a pro-family Administration."

When his turn came to speak, Mr. Cuomo apologized for his daughter's crying and said, "I hope that's not an omen."

12/21/96
Alexis Herman Steps Out From Behind the Scenes Job (Wash)By Marc Lacey and Stuart Silverstein= (c) 1996, Los Angeles Times=

WASHINGTON Inside the White House, Alexis M. Herman spends the day with a telephone pressed to her ear, dialing up the contacts in her bulging Rolodex. As director of the office of public liaison, it is her job to stroke egos outside the White House gates and marshal support for presidential policies when all seems lost.

But in recent weeks, she has had an issue on her plate far more personal than NAFTA, Bosnia or than any other presidential directive her own nomination as secretary of labor.

With at least two other candidates in the mix, and intense angling underway to sway President Clinton, Herman used her skills as a behind-the-scenes operator to round up enough backing among African Americans, women and cross-the-aisle Republicans to help persuade the president to appoint her as the first black woman to serve in the labor post.

The struggle was nothing new for Herman, 49, a one-time Alabama social worker who has spent her career manipulating the system from the shadows.

After graduating from Xavier University in New Orleans in 1969, she returned to her hometown of Mobile to help desegregate her old high school. As a young social worker, she fought to get a black woman admitted to an all-white labor union at a Mississippi shipyard.

"She could have stood on a soap box and said unions are bad because they don't admit blacks," said Rochelle Horowitz, former political director for the American Federation of Teachers. "She didn't do that. She does what she always does she worked behind the scenes to admit them."

Herman spent most of her early career promoting job training programs for women at a variety of social service organizations in the South. After taking a mid-level position in the Carter administration, she joined the late Ron Brown at the Democratic National Committee as his chief of staff. Among her tasks was the delicate job of negotiating with New York City trade unions in advance of the 1992 Democratic National Convention.

(Optional add end)

In announcing Herman's appointment at the White House on Friday, Clinton praised her for helping to sooth the Democrats' many constituencies, from the business groups he needed on his side to pass the North American Free Trade Agreement to the Eastern European immigrants he consulted on the U.S. operation in Bosnia.

"She is my eyes and ears," he said.

In her own cause, Herman reached out to Republicans to help smooth her confirmation hearing even before she was sure she would get the job. And she called Sen. Edward M. Kennedy, D-Mass., on Friday to mend fences, since he had backed former Sen. Harris Wofford, D-Pa., for the job.

Becoming secretary would be a return to the Labor Department for Herman, who was appointed by Carter as a deputy undersecretary.

"She knows the Labor Department far better than I did when I came here," said outgoing Labor Secretary Robert Reich, who used the job to push for middle-class tax cuts and a boost in the minimum wage.

Her former boss, Ray Marshall, said Herman is a natural for the balancing act necessary for the job.

"It's not easy," said Marshall, who filled the post from 1977 to 1981. "Sometimes the unions are not going to be happy with you. Other times the Congress or business groups won't be happy."

That kind of passion has earned the younger Cuomo assistant secretary for community planning at HUD. he has garnered a reputation as a forceful advocate as well as a champion of the empowerment zone to improve the economic vitality of America's cities.

Cuomo's critics charge he is brash and arrogant. He achieved political stardom on the strength of his first

One official of an organization that represents a condition of anonymity, described Cuomo as third on the job after other candidates including Detroit Mayor and Seattle Mayor Norman Rice dropped out of the race. HUD Secretary Henry Cisneros was himself a major

Antonio, Texas. Cuomo has never held elective office

"Cities are facing a real critical period," this of it's time to have a real strong leader and a charismatic command a lot of respect within the president's cabinet someone who will work hard, but not someone who will level of professional respect that a Henry Cisneros

Cuomo's admirers describe him as an innovator, particularly praising his strategy for reducing homelessness. Cuomo's initiative, HUD has launched what is called "Project CARE," designed to move homeless people from transitional housing to permanent housing in a more efficient operation.

"He took the homeless programs by the horns and brought an intellectual framework to thinking about how the federal government delivers homeless assistance," one former HUD official said.

In the mid-1980s, Cuomo began to build his own housing arena. He founded HELP, which grew to become the States' largest private provider of transitional housing for the homeless. He also headed New York City's Council on the Homeless.

As a result, homeless advocates, many of whom have faced the face of funding cuts, have high hopes for Cuomo's insight and the capability ... to be a very strong leader. Ann Gleason of the National Coalition for the Homeless would urge him to do it."

Federal Highway Administrator Takes Transportation Head (Wash)By Sam ... (c) 1996, Los Angeles Times=

WASHINGTON Back their early days, as they climbed the ladder together in Arkansas, Rodney Slater was a close friend to Bill Clinton.

As the young Clinton rebounded from his 1992 re-election loss, Slater's loyalty to the ousted governor earned him a seat on the Arkansas Highway Commission when he was elected to the Arkansas statehouse in 1982.

Later, as Clinton consolidated his political power in the governor's mansion for a decade, Slater's fortunes improved through a series of increasingly important appointments to the state government, serving as the first black chairman of the highway department.

When Clinton set out to travel the nation as the vice president in 1992, Slater became a deputy secretary and senior traveling adviser, which made him one of the most often the only black with an up-front seat on the cabinet. In the election, Clinton found a new job with familiar faces. Slater's old buddy: federal highway administrator.

Now Slater has yet another political plum with

President Completes Second-Term Team

By Peter Baker
Washington Post Staff Writer

After a long, topsy-turvy night, President Clinton finished assembling his second-term team yesterday with some last-minute juggling intended to balance competing interest groups and preserve ethnic diversity in the Cabinet.

In a sudden change of heart that surprised his own advisers, Clinton dumped his initial choice for energy secretary and instead persuaded outgoing Transportation Secretary Federico Peña to take the job. By doing so, the president hoped to assuage the fears of the nation's Hispanic community, which voted overwhelmingly for him in last month's election.

Yet there were still rumbles of discontent among Hispanic leaders, while other Cabinet choices announced yesterday irritated organized labor and forecast possible confirmation fights in the Senate.

Peña's at-the-wire selection was the dramatic climax to a sometimes-chaotic transition. Just as it did four years ago, diversity emerged as the overriding concern in the final hours, triggering a round of old-fashioned, horse-trading constituent politics.

During marathon deliberations Thursday, Clinton passed over a Hispanic candidate to pick White House aide Alexis M. Herman for labor secretary, pleasing African American leaders who campaigned on her behalf. As the day turned into night, sources said, it became clearer to him that he was risking a serious breach with another important group of supporters, a concern heightened when outgoing Housing Secretary Henry Cisneros pulled him aside after a White House budget meeting to plead for continued Hispanic presence in the Cabinet.

As a result, Clinton decided not to ask Federal Energy Regulatory Commission Chairwoman Elizabeth A. Moler to succeed Energy Secretary Hazel R. O'Leary and turned to Peña, a move that was not settled and disclosed to his own staff until shortly after midnight yesterday.

During a news conference called later in
See PRESIDENT, A16, Col. 3

PRESIDENT, From A1

the day to announce his decisions, Clinton said he was influenced not so much by lobbying from outside the White House as his desire to keep a Cabinet that "looks like America," the watchwords he first established in 1992.

"The pressure was pressure I put on myself," Clinton said. "I believe that one of my jobs at this moment in history is to demonstrate by the team I put together that no group of people should be excluded from service to our country and that all people are capable of serving. So I have striven to achieve both excellence and diversity."

As he has in the past, though, the president denied diversity was his sole criteria. "I am very proud of this Cabinet. I am proud that they are diverse," he said. "But I would not have appointed a single one of them because of their gender or their racial or ethnic background had I not thought that they could succeed."

Rounding out his domestic team, Clinton yesterday chose Federal Highway Administrator Rodney E. Slater to succeed Peña as transportation secretary and Assistant Secretary Andrew M. Cuomo to replace Cisneros at the Housing and Urban Development Department. Aida Alvarez, a HUD official, will take over the Small Business Administration from departing chief Philip Lader.

Federal Reserve Board member Janet L. Yellen takes over as chairwoman of the Council of Economic Advisers. Carol H. Rasco, director of the Domestic Policy Council, moves to the Education Department to oversee a national literacy program, succeeded by her deputy, Bruce Reed. Presidential counselor Thomas F. "Mack" McLarty will add to his portfolio the role of special envoy to Latin America.

In addition, Clinton formally confirmed he will keep Education Secretary Richard W. Riley, Health and Human Services Secretary Donna E. Shalala, Agriculture Secretary Dan Glickman, Veterans Affairs Secretary Jesse Brown and Interior Secretary Bruce Babbitt.

That basically completes the post-election transition, as Clinton reshuffled much of his Cabinet and White House staff. In the end, Clinton followed his previous pattern of moving around known faces. During earlier rounds, for example, he shifted his U.N. ambassador to the State Department and his national security adviser to the CIA.

The traditional 14-member Cabinet will have four women, three African Americans, one Hispanic and no Asian Americans. Among the other 10 high-ranking positions bestowed with Cabinet rank, there will be three women, two Hispanics and one African American.

If confirmed, Herman would be the first black labor secretary, while Alvarez would be the first Puerto Rican to serve in any Cabinet-level office.

Among the losers were national union leaders, who were denied their choice of labor secretary just months after they swallowed their past differences with Clinton and poured an extraordinary \$35 million into campaign activities on behalf of Democratic candidates.

Although Herman, White House director of public liaison, headed the women's bureau at the Labor Department in the late 1970s, she was not viewed as a powerhouse choice and reliable ally by labor. The unions first backed former senator Harris Wofford (D-Pa.), then threw support to Rep. Esteban Edward Torres (D-Calif.) and former representative Alan Wheat (D-Mo.) in a futile bid to stop her.

The unions believe they extracted a price for the appointment after a meeting between Clinton and AFL-CIO President John Sweeney on Thursday. According to labor sources, the White House agreed to give union leaders effective veto power over several other key appointments at the department, including deputy secretary, assistant secretary for congressional affairs and the wage and hour administrator.

Another spot labor has a claim to, sources said, is the new deputy at the National Economic Council and their choice reportedly is Assistant Treasury Secretary Joshua Gotbaum.

White House officials, while saying they welcome any input, denied any deal. "There are no strings attached to my appointments," said incoming NEC chief Gene Sperling.

Herman's nomination presents some possible problems among Republicans as well. Sen. James M. Jeffords (R-Vt.), who is the new chairman of the Senate Labor and Human Resources Committee, has brought concerns to the White House about the use of Labor Department grants for political groups during Herman's Carter-era stint. And Herman was subject to conflict-of-interest questions when she landed a contract working on a federal building project while running the Democratic National Committee.

Cuomo, son of former New York governor Mario M. Cuomo, drew at least one high-profile detractor yesterday too. "The last thing HUD needs is a large urban liberal at its helm," said Sen. Lauch Faircloth (R-N.C.), chairman of the Senate Banking subcommittee that oversees the department.

The scene at the White House late Thursday was quintessential Clinton decision-making. The president tackled what seemed to be the toughest nut first—finding a replacement for Labor Secretary Robert B. Reich. By mid-afternoon, he decided the job would go to Herman who has been a close and loyal aide. Cuomo and Slater easily followed.

Cisneros proved to be the critical player. After a budget session in the Oval Office, he stayed and impressed upon Clinton the trouble he would be in by passing over Torres, sources said. Cisneros felt strong enough that he planted himself in the White House until after midnight, along with Vice President Gore and incoming Chief of Staff Erskine B. Bowles helping the president work through the issue.

Those in the room were also concerned about finding someone with management experience. Finally, according to a source, Clinton

said, "Why don't we take another run at Federico?"

That was between 9 p.m. and 10 p.m. and a series of telephone calls ensued to Peña, who had turned down other offers of another administration job and had put his house up for sale. Clinton called. Cisneros called. Gore talked to him several times. According to one source, it took all of their collective persuasive skills to convince Peña to agree, shortly before midnight.

It must have felt like *deja vu* for Peña. He was a last-minute surprise choice four years ago for transportation. Clinton had been focusing on two other candidates when he decided to go with Peña instead. Aides tracked him down at a New Mexico airport and Peña was enlisted without even being formally interviewed or fully vetted.

Staff writer Frank Suoboda contributed to this report.

FOR MORE INFORMATION

To get the latest reaction to the appointments, updated constantly throughout the day, click on the above symbol on the front page of The Post's site on the World Wide Web at <http://www.washingtonpost.com>



AP photo
President Clinton embraces Labor Secretary-designate Alexis Herman in Washington Friday. Others from left are Transportation Secretary-designate Rodney Slater, Housing Secretary-designate Andrew Cuomo and Vice President Al Gore.

Alexis took call to duty

When Ms. Herman heard it was the president, she answered the phone and accepted Cabinet nomination

By JEFF HARDY
Washington Bureau

WASHINGTON — Alexis Herman was in the shower when the telephone call came at 6 p.m. Thursday. When she heard that the president of the United States was on the line, she took the call.

As a result of that call, Ms. Herman's family won't be celebrating Christmas at home in Mobile this year. Instead, they'll be coming to Washington to join the new nominee for secretary of labor in "a big Christmas dinner."

President Clinton made official Friday afternoon what the Mobile Register had reported as a likelihood Nov. 24 and as a certainty Friday morning.

State Rep. Yvonne Kennedy, D-Mobile, announced in November that she had it on good authority that her old friend would get the labor post. After that, Ms. Herman's prospects seemed to blow hot and cold as the media spotlighted one candidate after the other as the front-runner. Ms. Herman was not the first choice of organized labor. Others questioned her qualifications.

But on Friday afternoon, the president made an honest woman out of Ms. Kennedy and a Cabinet nominee out of Ms. Herman.

The nominee took time out Friday to thank fellow Mobilians for their support leading up to her nomination.

Please see HERMAN on 10A

She's fourth from Alabama

By JEFF HARDY
Washington Bureau

WASHINGTON — When Alexis Herman of Mobile becomes the new secretary of labor, she will be the fourth member of a presidential Cabinet to come from Alabama.

The first one fought in the Civil War. The second rewrote his job description to take himself out of the Cabinet. The third is a former University of Alabama president who was one of President Gerald Ford's youngest Cabinet appointees.

Hilary A. Herbert served eight terms in the House, some as chairman of the Committee on Naval Affairs, before President Grover Cleveland appointed him Secretary

Please see ALABAMA on 10A

INSIDE

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- A look at the life of Mobile's Alexis Herman/10A
- Comments from area people on Ms. Herman's nomination/10A

WOMEN OF THE CLOTH

Women face challenge of acceptance in local ministries /1D

Countdown '10 Christmas 4 days



Business	7B	Overnight low 58	Mobile, Ala.	88 pages	4 sections
Metro	1B	Rain chance 0%	Complete weather/2B		
Religion	1D	Today's high 66			
Sports	1C	Rain chance 0%			
Television	10D				
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Herman bloomed in Mobile

By GENE OWENS
Pulitzer Editor

The ancient Chinese had a curse: "May you live in interesting times."

In ancient times, when the Canaanite prophet Balaam tried to pronounce a curse on the invading Israelites, it kept turning into a blessing.

Perhaps Balaam has been behind the scenes in the life of Alexis Herman. The "curse" of interesting times has become a blessing.

She was born in 1947, seven years before the Supreme Court threw out racial segregation in the public schools; eight years before Rosa Parks refused to move to the rear of a city bus in Montgomery; 16 years before George Wallace stood in the school-house door; 18 years before the sheriff's posse and state troopers charged the unarmed marchers on the Edmund Pettus Bridge across the Alabama River in Selma.

Part of the blessing lay in the fact that she was born in Mobile, a relatively quiet eddy in the civil-rights maelstrom that was Alabama. Part of that peacefulness can be attributed to the white and black leadership of the day: Mayor Joe Langan, who sought to dampen the racial passions that so often led to tragedy in other parts of the South; John Leflore and Dr. Robert W. Gilliard, two respected black activists who worked with the white leadership to promote peaceful progress; and Alex Herman, her father, who became the first black to be elected to Mobile's city government.

With such men working on both sides of the color line, Ms. Herman was able to participate in a "sit-in" at a downtown Mobile cafe without triggering a race riot.

Southern charm

Part of the blessing lay in the fact that she absorbed the charm of her Southern surroundings and infused it with native intelligence and a vivacious personality.

"Bloom where you're planted," was the advice given her by her mother, Gloria.

Ms. Herman bloomed in Mobile. She became the Mobile Area Mardi Gras Association's queen in 1974, following in the footsteps of her father, who was MAMGA's king in 1910. But while she blossomed locally, she was preparing to spread her accomplishments far beyond South Alabama.

Her first political experience was distributing literature — at her father's behest — for Joe Langan. "I knew her then," said Langan. "Course, she was just a little young lady. Knew her father very well. He was very active in political life around Mobile. Add her mother, course, I knew her."

Langan was on the Catholic Social Services Board, and Alexis was working with the organization at the time.

"Course, we never know how far people are going to go, but she certainly had a fine personality and was very intelligent," said Langan.

Ms. Herman graduated from Xavier University in New Orleans. She began her career in 1969 as a social worker for Catholic charities. She helped develop new skill-training opportunities at Ingalls Shipbuilding Inc. in Pascagoula for unemployed youth and unskilled workers.

Then she moved step by step toward national leadership: as director of the Black Women's Employment Program of the Southern Regional Council in Atlanta; as national director of the Minority Women

Employment Program, and as director of the Women's Bureau of the Department of Labor under Jimmy Carter.

In 1981, she established A.M. Herman & Associates, a consulting firm that helped develop programs to reduce employee turnover during mergers and acquisitions.

Then she became deputy chair and chief of staff to the Democratic National Committee, chief executive officer of the Democratic National Convention, deputy director of Bill Clinton's Presidential Transition Office and director of the White House Office of Public Liaison.

Ms. Herman has close friends in influential positions locally who give her part of the credit for her success.

For Frichard Mayor Jesse Norwood, her contributions have been solid and practical.

"She was instrumental in helping us with the Brownfield Grant through EPA," he said, "and was helpful for us in getting the early rounds of the COFS grant where we got the extra policemen through federal dollars. She facilitated a lot of other meetings that didn't lead us to direct funding."

Brownfield grants help cities to rehabilitate waste sites and turn them into industrial developments.

Personal touch

For others in Mobile, her contributions have been more personal.

"She's definitely one of my mentors," said Vivian Davis Figures, the Mobile councilwoman who is in a runoff for the state Senate seat left vacant by the death of her husband, Michael.

Mrs. Figures saw Ms. Herman's diplomatic skills at work when chaos was about to break out on the Democratic National Committee and "she just moved in and talked with this person and that person and by the time we got to the meeting, there was a unanimous vote."

Mrs. Figures doesn't think Labor has to worry much about any lack of forcefulness on Ms. Herman's part.

"She's a very strong woman," she said, "and she has her resources in place. And she has the personality to go with it."

"I think her parents were very good role models for her," said state Rep. Yvonne Kennedy, president of Bishop State Community College, who grew up in the same community as Ms. Herman. "Her mother was a teacher and her daddy was a businessman and heavily involved in politics."

It was Ms. Kennedy who first announced Nov. 23 that Ms. Herman was in line for a Cabinet post. She told an awards ceremony at Bishop State that she had received the word from a reliable source.

After that, Ms. Herman's name surfaced, then disappeared, from speculative lists of candidates for secretary of Labor.

What was up?

Was the White House trying to throw the media off the scent or was the president really trying to make up his mind?

"I have no idea about that," said Mrs. Figures. "When I spent some time with her last week, she said everything was still pretty much up in the air. I don't think it was a done thing, if you will. The president really did take his time and weigh all the pros and cons with the other candidates, and I feel he did all that and he made a good decision."

"I think there was a lot taking place behind the



Alexis Herman applauds one of her fellow Cabinet nominees at Friday's news conference.

scenes," said Mobile Mayor Mike Dow, "and there was a lot of pressure on the president from several directions. He just voted his conscience."

But Norwood thinks Clinton was doing some "really savvy political maneuvering. My suspicions are that it was always a done deal. However, until you float the name and see the other contenders, you don't know what to contend with."

Don Langham, vice president of the United Paperworkers International Union in Mobile, said union opposition to Ms. Herman was not based on any hostility toward her. It was just that labor had other candidates it liked better.

His union supported Dr. John Calhoun Weiss, director of the federal mediation conciliation service.

"I don't have any problem with her if that's the president's choice," he said. "She does have experience with the Department of Labor. I don't think she's been actively involved in labor-management relations on the level that Dr. Weiss has."

Ms. Kennedy sees Ms. Herman's success as a healthy signal to the young people of Mobile.

"With the country being the way it is, the South gets a bad name and bad reputation," she said, "and many times our young people will get discouraged and think they're in the outer loop. A very positive message is that you can be whatever you want to be in life — you can get there from here."

Herman

Continued from 1A

The correspondence had been pouring in from home ever since Ms. Herman's name hit the headlines as a possible Cabinet member. It consisted of notes, cards and other expressions of love and prayer. She said they really made a difference for her during the selection process.

"Mobile has always been home to me," she said in a telephone interview. "It will always be home to me, and during this experience I have a special appreciation for when people say you can always go home, no matter what, and that thought gave me great comfort this week."

Ms. Herman says virtually everything is a blur up to the point at which the president called Thursday. When the phone first rang, she told her cousin she would have to return the call.

When told that the caller was the president of the United States, she came to the phone. She remembers exactly what she said to Clinton.

"I said, 'Mr. President, thank you for putting your trust and confidence in

me, and I'm honored by this assignment."

She said she harbored no ill will toward those who preferred other candidates. Rather than hold a grudge, she said, her time would be better spent working to get the trade unions to acknowledge the contributions she has made to American workers.

"I have spent most of my adult life working on practical real solutions to advance working Americans in this country," she said, "and I think I will bring that same sort of enthusiasm and energy and hands-on attention to the Labor Department."

If confirmed by the Senate after hearings before the Labor and Human Resources Committee, Ms. Herman, 49, will preside over a staff of 15,700 employees. Agencies under her will include the Occupational Safety and Health Administration and the Bureau of Labor Statistics. The Labor secretary, like other Cabinet members, makes \$148,000 a year.

Ms. Herman's nomination was the first announced at a presidential news conference Friday. She was given a very prominent position on the dais, behind Clinton and next to Vice President Al Gore. Clinton called her a leader in efforts to bring women and minorities

into the economic mainstream.

He said he has known Ms. Herman since she was director of the the Women's Bureau at the Department of Labor in the 1970s, and the department is critical to the administration's push to expand job training and increase job security and safety.

"For the past four years, as director of the White House Office of Public Liaison, she has been my eyes and ears, working to connect the American people, business and labor, individuals and communities with their government," Clinton said.

Clinton went against the wishes of organized labor as he completed his Cabinet and economic team.

Earlier this week, U.S. Rep. Esteban Torres, D-Calif., and former U.S. Rep. Alan Wheat, D-Mo., were said to be in a dead heat with Ms. Herman. Organized labor endorsed former Sen. Harris Wofford, D-Pa., the director of Clinton's AmeriCorps who is a former labor secretary for the state of Pennsylvania.

Labor leaders who were asked during the selection process never said they had anything against Ms. Herman. They said they simply liked Wofford better.

In a statement released Friday by AFL-CIO head John J. Sweeney, there

was no hint of any animosity toward the nominee.

"Over the years, she has had an excellent relationship with me and other union leaders," he said. "In recent weeks, I have met and talked with her a number of times, and I know she is committed to putting together a strong team to fight for good jobs, justice and dignity for America's working families."

Sen. Jim Jeffords, R-Vt., the new Labor and Human Resources chairman, suggested no immediate impediments to her confirmation. Her predecessor, Robert Reich, got through the process with little controversy in just three days.

"She would bring much accomplishment to that position," Jeffords said. "I look forward to completing the nomination process in a fair and timely fashion."

For Ms. Herman, the nomination brings to a joyous close what in many ways was a trying and tragic year. Commerce Secretary Ron Brown, a close friend and former employer, was killed in a plane crash during a mission to Bosnia at the beginning of the year.

She said she spoke with Brown's wife, Alma, Friday morning. Mrs. Brown wished her well.

State Rep. Michael Box, D-Saraland, president of the National Conference of State Legislatures:

"The president couldn't have made a better choice. I think it brings credit to Mobile as a community. I'm particularly excited because of the fact that in my work with the National Conference of State Legislatures, we are always meeting with members of the administration and congressional leaders, and I see this as an increased opportunity, because of our common background, to improve the ties between state government and the administration."

Mobile City Councilwoman Vivian Davis Figures:

"President Clinton made an excellent choice in choosing Alexis. She's going to do an excellent job. She has always been a hard-working, dedicated, loyal Democrat, and she'll do a superb job in the Department of Labor. She's worked in that department before, so she has the experience. She has the charisma to get along with all types of people. She is a consensus-builder, a bridge-builder, and I think she will carry those attributes with her to that department and be an outstanding Cabinet member."

Mobile City Councilwoman Bess Rich:

"It's very exciting to have that connection for Mobile, and to have her there in that kind of capacity. She comes from a great background; she has been real involved in the Clinton White House. That appointment brings a lot of diversity to his Cabinet, which I know was very important to people."

Stewart Burkhalter, president of the Alabama AFL-CIO:

"From all the reports I've heard, the word is she'll do a good job."

Kimble Forrester, state coordinator of Alabama Arise, the anti-poverty coalition:

"I think it's really cool that an Alabama black woman's now in the Cabinet; other than that I don't have any background with her or anything."

Mobile lawyer Ronale Wilson:

"I'm very excited that someone from this level, Mobile particularly, could rise to that particular level. It puts Mobile on the map. City accolade given to her... Mobile will probably get a lot of popularity, a lot of publicity."

State Rep. Steve McMillan, R-Bay Minette:

"I don't know her, never have worked with her, but I've heard a lot of good things about her. That she's very bright and is very proud of her native home."

Sarah Tengua, spokeswoman for the State Docks:

"It's always nice to have someone from your own neighborhood who gains that much prominence in the national spectrum, but it's also nice to have someone you can feel easy about tapping them on the shoulder and pointing out some problem that they may have authority over. The State Docks congratulates her, wishes her well, and is delighted that it's a Mobilian."

SATURDAY, DECEMBER 21, 1996

What they're saying about Alexis Herman

State Rep. Yvonne Kennedy, president of Bishop State Community College:

"It's a terrific Christmas gift to all Mobilians and Alabamians from the president of the United States."

Lt. Gov. Don Siegelman:

"Alexis Herman will be good for Alabama. Obviously the president thinks she'll be good in the position to which he appointed her. More important, to me it symbolizes that the president is not going to appoint necessarily those people whom interest groups want appointed to oversee their agencies. Ms. Herman offers a very balanced approach on the issue of labor. She certainly has an understanding of the importance of labor, and has been in the position of advising private industry, but at the same time is, as Yvonne Kennedy said, a compassionate and public-minded individual."

Mobile Mayor Mike Dowd:

"It's always nice to see a hometown person become successful. Knowing Alexis as a very intelligent and gracious person, I think she has all the sensitivity and intellect to do an excellent job. It's important for Mobile to have officials on the national level, and the more of that we have, the more we're able to get our fair share of resources and be able to communicate better. And we're doing pretty well these days."

Prichard Mayor Jesse Norwood:

"I'm so glad to read that. I don't know what to do. The president made a wise choice, and I am sure that Alexis will do the country and Mobile a great service in her tenure. We're all very proud of her. She's a coalition-builder and has been extremely instrumental in the White House in helping Prichard get the attention of departments that have an impact on our city."

State Rep. James Buskey:

"It's absolutely wonderful that the president made that selection. He made an excellent choice. All of us in Mobile and the state of Alabama should be extremely proud of that selection."

LEVEL 1 - 7 OF 9 STORIES

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HEADLINE: HERMAN: A POWER BEHIND THE THRONE;
LABOR: WHITE HOUSE AIDE USES BEHIND-THE-SCENES SKILLS IN HELPING TO SECURE HER
NOMINATION AS FIRST BLACK WOMAN FOR THE CABINET POST.

BYLINE: MARC LACEY and STUART SILVERSTEIN, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY:

Inside the White House, Alexis M. Herman spends the day with a telephone pressed to her ear, dialing the contacts in her bulging Rolodex. As director of the office of public liaison, it is her job to stroke egos outside the White House gates and marshal support for presidential policies when all seems lost.

But in recent weeks, she has had an issue on her plate far more personal than the North American Free Trade Agreement, Bosnia or than any other presidential directive--her own nomination as secretary of Labor.

With at least two other candidates in the mix and intense angling underway to sway President Clinton, Herman used her skills as a behind-the-scenes operator to round up enough backing among African Americans, women and cross-the-aisle Republicans to help persuade the president to appoint her as the first black woman to serve in the Labor post.

The struggle was nothing new for Herman, 49, a onetime Alabama social worker who has spent her career manipulating the system from the shadows.

After graduating from Xavier University in New Orleans in 1969, she returned to her hometown of Mobile to help desegregate her old high school. As a young social worker, she fought to get a black woman admitted to an all-white labor union at a Mississippi shipyard.

"She could have stood on a soap box and said unions are bad because they don't admit blacks," said Rochelle Horowitz, former political director for the American Federation of Teachers. "She didn't do that. She does what she always does--she worked behind the scenes to admit them."

Herman spent most of her early career promoting job-training programs for women at a variety of social service organizations in the South.

After taking a mid-level position in the Carter administration, she joined



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Los Angeles Times, December 21, 1996

Ronald H. Brown at the Democratic National Committee as his chief of staff.

Among her tasks was the delicate job of negotiating with New York City trade unions in advance of the 1992 Democratic National Convention.

*

In announcing Herman's nomination at the White House on Friday, Clinton praised her for helping to soothe the Democrats' many constituencies, from the business groups he needed on his side to pass the trade pact to the Eastern European immigrants he consulted on the U.S. peacekeeping operation in Bosnia.

"She is my eyes and ears," he said.

In her own cause, Herman reached out to Republicans to help smooth her confirmation hearing even before she was sure that she would get the nomination. And she called Sen. Edward M. Kennedy (D-Mass.) on Friday to mend fences, since he had backed former Sen. Harris Wofford (D-Pa.) for the job.

Becoming secretary would return Herman to a familiar bureaucracy, since she was deputy undersecretary of Labor under Carter.

"She knows the Labor Department far better than I did when I came here," said outgoing Labor Secretary Robert B. Reich, who used the job to push for middle-class tax cuts and a boost in the minimum wage.

Her former boss, Ray Marshall, said that Herman is a natural for the balancing act necessary for the job.

"It's not easy," said Marshall, who was secretary of Labor from 1977 to 1981. "Sometimes the unions are not going to be happy with you. Other times the Congress or business groups won't be happy."

Herman knows about that tightrope.

The AFL-CIO, the umbrella group for the nation's major unions, lined up behind Wofford for Labor secretary while griping that Herman lacked a "passion" or "empathy" for labor issues. Latino groups and Californians, meanwhile, backed Rep. Esteban E. Torres (D-Pico Rivera).

*

In the end, Herman appears to have prodded some naysayers into her camp. Lawmakers in both parties signaled support for her Friday. And once-skeptical unions began looking at her anew.

"We believe Alexis' experience--growing up in the rural South, advancing the interests of working women and minorities and dealing with the issues of a changing work force--will be a tremendous asset," said AFL-CIO President John J. Sweeney.

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Businesswomen air concerns to a top Clinton aide

By Joann Muller
GLOBE STAFF

A rare opportunity to grab the ear of a top Clinton aide coaxed dozens of women entrepreneurs into a downtown office conference room yesterday to air their concerns about health care, welfare reform and an array of issues facing small businesses.

Alexis Herman, director of the White House Office of Public Liaison, set up the meeting as part of a new initiative by female

Clinton administration officials to set aside time for networking with women while traveling on official business. She was in Boston for a women's business conference sponsored by Simmons College.

Herman's office is often described as the president's "eyes and ears." Much of what she hears during these discussion groups is passed on to Clinton for policy-making purposes, she said.

Yesterday, the focus was mostly on how small business owners can gain equal footing with larger competitors and how health care

and welfare reform might impact small businesses.

"It's not an issue of access to health care," for instance, said Judy Obermayer, whose company, Obermayer Associates, provides consulting services to small companies. "It's the cost. Small companies can't self-insure the way big companies can."

Other women in the group, many of whom were minorities, also complained about problems with federal minority set-aside programs.



Alexis Herman