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3/11/94

FEB. 27, 1994

Slovenly White House Ethics

President Clinton and his helpers keep saying they have nothing to hide on Whitewater. So some evil genie must be making them act as if they do. The latest affront is the bonehead conclave convened by Deputy Treasury Secretary Roger Altman to give a "heads up" to three White House officials about the Resolution Trust Corporation inquiry into a savings and loan association connected to Mr. and Mrs. Clinton.

Mr. Altman said he wanted to brief Bernard Nussbaum, the White House counsel, Harold Ickes, the deputy chief of staff, and Margaret Williams, the First Lady's chief of staff, on when the statute of limitations would run out on the R.T.C. investigation of Madison Guaranty Savings and Loan.

That is an interesting question and not unrelated to other questions that Republicans on the Senate Banking Committee and other reasonably curious Americans would like to have answered. Here are four:

1. Was Madison used to convert Clinton campaign funds to personal funds for the then Governor?

2. Did a regulator appointed by Governor Clinton go easy on Madison because it was owned by the Clintons' political ally, James McDougal, who was also the Clintons' business partner in the Whitewater Development Company?

3. Did the Clintons pay the same amount of money for their half share of Whitewater that Mr. McDougal paid for his? This question is important because it bears on whether Mr. Clinton, while Governor, received gifts or claimed undeserved tax deductions in connection with Whitewater.

4. Did Mrs. Clinton's law firm behave properly in its dealings with Madison and bank regulators?

Given that such questions are now before a special counsel and the R.T.C., a meeting between Mr. Altman and top White House aides was improper on its face. It could never have taken place in a White House that had even a rudimentary respect for the common-sense rules on conflict of interest. The Clinton team has taken the nation back to the sham ethics of the early Reagan Administration. That crowd believed conflicts of interest could not exist since they could not conceive of letting any law or rule of propriety interfere with the political and financial interests of the President or his buddies.

The stated reason for this meeting will not wash. Information on the statute of limitations could be had from the newspapers or a brief memo from the R.T.C. legal staff. Senator Alfonse D'Amato and Representative Jim Leach therefore have reason to suspect that the goal of the meeting was to control political damage or compromise the R.T.C.'s investigation. Who knows what the White House has learned about the R.T.C. findings? After all, it was only through Mr. D'Amato's efforts that the Government released an R.T.C. document suggesting that Mrs. Clinton's law firm had failed at proper disclosure of its dealings with Madison.

In response to bad publicity, Mr. Altman has recused himself from the R.T.C. inquiry on Whitewater. His R.T.C. deputy should now take over all his duties at the agency until a permanent director is appointed. Senator Donald Riegle, the chairman of the Senate Banking Committee, needs to step up his committee's oversight activities. Other Democrats like Senator John Kerry need to cease their myopic defense of Mr. Clinton on a matter about which neither the Senator nor the public has been fully informed.

Opposition leaders are right when they say that a Republican White House that so recklessly meddled in the Justice Department, the R.T.C. and other agencies would be shelled with endless Congressional investigations. It is time for the Democratic Congressional leaders, Thomas Foley and George Mitchell, to try to educate this White House about the normal protocols of governance. Explaining what Representative Leach meant when he said "arm's length" would be a start.

Clinton aides behave as if their President had deep deposits of public trust. In fact, that account was pretty slim when Mr. Clinton got to Washington, and it is just about tapped out now.

Dr. Elders Stamps on Cigarettes

Releasing the 23d Surgeon General's Report on Smoking and Health last week, Dr. Joycelyn Elders was her usual forthright self. Americans, she said, should "issue a warning to our young people that tobacco is addicting and that tobacco kills."

Every year 400,000 Americans die from illnesses related to smoking, and a million others give up cigarettes. More adolescents, however, are picking them up — and that, Dr. Elders said, is a tragedy. They believe that by smoking they are joining "The Five S Club" of the "slim, sexy, sociable, sophisticated and successful." In truth, they are joining a far more lethal organization — one that will reward many of them, in time, with respiratory ailments, heart disease and lung cancer.

Dr. Elders blamed the tobacco industry's advertising for making smoking so seductive to teenagers; a spokesman for the industry promptly denied trying to recruit the young. But with so many adults quitting, where can the industry go for new customers but to youth? And who does the R. J. Reynolds Company think it is kidding with its Old Camel — and now Josephine Camel — ads?

R. J. Reynolds has said they were designed for adults, but studies published in 1991 in The Journal of the American Medical Association showed that the ads reached children more successfully than they did adults, and that 6-year-olds were as familiar with Joe as they were with Mickey Mouse.

Millions of Americans — those who have stopped smoking and those who haven't — know how hard it is to kick the habit. For half of them it is a habit acquired before they were 14 years old.

Dr. Elders, like surgeons general before her, is wise to use her bully pulpit to talk about smoking and its consequences.

2/28/94

TIME



AFTER THE MASSACRE: Will There Ever Be Peace?

the spy

Accused spy
Aldrich H. Ames

A shocking tale of espionage, betrayal and greed rocks the CIA

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WINNERS & LOSERS



TONY ESPARZA, CBS/AP

DAVID LETTERMAN'S MOM
Her reports from Lillehammer outclass Connie Chung's

INT'L OLYMPIC COMMITTEE
Harding's wobbles dispel the specter of a gold-medaled felon

SUBCOMANDANTE MARCOS
Ski-masked rebel forces Mexican gov't to the negotiating table

BILL GATES
Microsoft's cyberspace monopoly finally halted by a patent suit

TIMBER CUTTERS
White House proposes tougher logging rules to save spotted owl

MARTHA RAYE
Judge tosses out her suit against Bette Midler's *For the Boys*



DIRCK HALSTEAD

MY COUNTRY FOR A ROLEX

CIA employee Aldrich Hazen Ames and his wife Maria del Rosario Casas Ames were arrested last week and charged with spying for Russia. The fact that they were accused of accepting $1.5 million and spending it on such flashy items as a Jaguar and a $540,000 home (paid in cash) raised a few eyebrows. But a taste for luxury has been an essential component of the nouveau riche traitor life-style for at least a decade:

SPY	PAYOFF	WHAT IT WENT TOWARD	
Edward L. Howard, charged in 1985 with spying for the Soviet Union	$150,000 (and some Soviet cigars)	Krugerrands and silver bars, a Rolex watch, a red Jeep	
Ronald W. Pelton, charged in 1985 with spying for the Soviet Union	$35,000, plus travel expenses	Canceling debts (he asked to be paid in gold bullion)	
Jonathan Jay Pollard, charged in 1985 with spying for Israel	$45,000 to $50,000	Two trips to Europe, a diamond-and-sapphire ring for his wife	
John A. Walker Jr., charged in 1985 with spying for the Soviet Union	$1 million	A houseboat, an airplane, two cars (Chrysler and Oldsmobile), land in North and South Carolina	
Jerry Whitworth, charged in 1985 with passing classified material to John A. Walker Jr.	$332,000	Gold coins; two motorcycles; rented, chauffeured Rolls-Royces; $10,000 worth of gold and silver options; expensive lingerie	
Larry Wu-Tai Chin, charged in 1985 with spying for China	$180,000	29 rental properties worth hundreds of thousands of dollars, $96,000 in gambling debts at various Las Vegas casinos	
Richard W. Miller, charged in 1984 with spying for the Soviet Union	$65,000	A pair of Italian shoes, a jogging outfit, a $675 trench coat, staving off bankruptcy	

PALMER—STOCK MARKET; PERRIN—SYGMA; ROBERTO BROSAN, WRIGHT—GAMMA LIAISON; FLIP SCHULKE—LIFE

Another No on Health Care
The Administration got some unwelcome news on health care from the American Association of Retired Persons. The White House had lobbied for an endorsement of its plan, but instead the board of the 33 million-member AARP said the Clinton bill "falls short in a number of ways"; however, the group also declined to endorse any competing plans. On another front, the AFL-CIO announced that it would soon be releasing a substantial part of a planned $3 million ad campaign on behalf of the President's proposals.

Whitewater: Drip, Drip, Drip ...
Special counsel Robert Fiske announced the hiring of eight lawyers to assist him in the Whitewater investigation, including one who will focus on the events surrounding the suicide of deputy White House counsel Vincent Foster. Meanwhile Roger Altman, acting head of the Resolution Trust Corporation, which is looking into the failure of a savings and loan owned by the Clintons' Whitewater business partner, admitted that he had briefed senior White House officials on the matter in January. Republicans in Congress were quick to accuse the White House of trying to manipulate the investigation. Altman expressed regret over the briefing and withdrew from the investigation.

Acquittal in Waco
A federal jury in Texas acquitted 11 members of the Branch Davidian religious cult of murder and conspiracy to murder, convicting five of voluntary manslaughter and two on weapons charges. The case grew out of last year's raid on the cult's compound, which left four federal agents dead.

Courtroom Roundup
Jury deliberations began in the case of the alleged World Trade Center bombers in New York City. And in Florida, a judge barred Michael Griffin, accused of gunning



CYNTHIA JOHNSON FOR TIME

RISING STAR: Ickes' expanding influence makes some White House aides nervous

■ THE WHITE HOUSE

The Organization Man

Harold Ickes is helping the President get his act together and drive a harder bargain on health care

By MICHAEL DUFFY WASHINGTON

MEETINGS AT THE CLINTON WHITE House are informal affairs, beginning late and ending later. So when political consultant Paul Begala stumbled into an 8:30 a.m. health-care meeting last month just 14 minutes late, he was certain that he was right on time. Instead, the first thing he saw and heard was deputy chief of staff Harold Ickes close his notebook and say, "O.K., let's get to work." Dumbfounded, Begala rechecked his watch. "It said 8:44," he recalled. "I thought, 'Man, I like this guy!' Never before in the recorded history of the Clinton presidency has there even been a 14-minute meeting—until Harold."

Many White House officials view the arrival of Harold Ickes much the way Jane and Michael Banks came to regard the coming of their strict new governess, Mary Poppins. In an Administration that likes to think big and play messy, Ickes is devoted to detail and driven to discipline. While he has by no means reversed the fortunes of the President's health-care reform bill—last week many legislators on Capitol Hill were sounding taps again for central elements of Clinton's plan—the 54-year-old New York attorney has brought to the White House skills that have often been scarce: planning, organization and political fire fighting. "He's not afraid to make a decision, take responsibility," said Pat Griffin, the top White House lobbyist, "and that's what we need to pull this thing off."

The best measure of Ickes' influence is that the Clintons have given him responsibility for their three most pressing problems: health care, the 1994 elections and the murky Whitewater scandal. His giant portfolio irritates some colleagues. "He's making a big difference," said one official. "The problem is now that he's started to make a difference, they're trying to make him do everything."

Says the top lobbyist: "He's not afraid to make a decision, take responsibility."

Public service comes naturally to Ickes; his father went to Washington as F.D.R.'s Interior Secretary in 1933 and stayed in that job until 1946. The younger Ickes, born when his father was 65, attended Stanford and Columbia Law, broke horses for four years in California, then began a 25-year career as a lawyer and liberal activist. He worked for a string of losing presidential candidates—Ted Kennedy, Ed Muskie and Jesse Jackson—often tying the party establishment in knots with his knowledge of arcane rules and procedures. But he signed on early with Clinton and later became his New York City convention manager. After the election, Clinton was ready to tap him to be deputy chief of staff when federal investigators launched a probe of Ickes' law firm's work for a union alleged to have ties to organized crime. When federal officials cleared his name last fall, the Clintons pressed him to run the struggling health-care effort. "I was not brought down here as a legislative or substantive expert. I'm here because some people think I know how to pull an organization together," he said last week.

Arriving in the capital eight weeks ago, he found the White House in a defensive crouch and himself in charge of the damage-control effort on the Whitewater controversy. He organized a small team of loyal Clinton aides and began pressing the reluctant First Couple to consider a special prosecutor. Ickes was aided in this task by what a White House official called "his close personal relationship with Hillary. In some ways," the official said, "Harold has replaced Vince [Foster] as someone she trusts, as someone she trusts completely."

Many White House officials admitted that they were initially anxious about Ickes' arrival, fearing his well-known temper and were worried that he would push the White House to the left. But colleagues say he has been more pragmatic than his liberal credentials imply and relies more on his wit than his temper to keep the troops in line. Dismayed by officials who were leaking to reporters, Ickes acidly began a meeting on Whitewater: "Why don't we just call in a stenographer so the Washington *Post* doesn't miss a single word?"

Ickes keeps a close eye on Whitewater. Maybe too close. Last week Deputy Treasury Secretary Roger Altman told the House Banking Committee that he had met three weeks earlier with Ickes, White House counsel Bernard Nussbaum and Margaret Williams, Hillary Clinton's chief of staff, to discuss a Whitewater-related matter. Altman oversees the Resolution Trust Corporation, which is examining whether to investigate former officers and borrowers of the Madison Guaranty Savings & Loan for evidence of fraud. Altman told the panel he gave the White House officials an update on the RTC's timetable for action. Ranking minority member Jim Leach of Iowa called the briefing "inappropriate." Ickes dismissed it as a "very short" informational session. At week's end Altman announced that he would remove himself from any involvement in the investigation of Madison.

Ickes' biggest challenge has been trying to right the listing health-care ship. For weeks, Clinton and his aides offered to drop key provisions of the reform plan, without getting anything in return from opponents. "If I'm going to give up alliances," House Ways and Means chairman Dan Rostenkowski complained last week, referring to the insurance-buying pools described in Clinton's plan, "I'm going to get something for it." Ickes has tried to pick up the pieces by sending Clinton to speak to senior citizens, pharmacists and other groups that the White House thinks should support its plan. In another setback, the board of the American Association of Retired Persons decided last week not to endorse the Clinton bill.

TO AVOID FURTHER LOSSES, ICKES holds daily tactical meetings and thrice-weekly strategy sessions. He has overseen counterattacks on the Clinton plan and has tried to stiffen the short list of items that Clinton insists must be in the final bill. Even Clinton is sticking to the script.

But neither Ickes nor anyone else can predict what will happen when House and Senate subcommittees begin writing health-care bills. Representative Pete Stark, a California Democrat who chairs the subcommittee that is expected to act first, said last week there is no support on his panel for mandatory alliances. "Without the alliances," Stark said with characteristic tartness, "President Clinton's plan unravels like a $50 suit." Stark, who favors government-run health care, surprised colleagues last week by joining forces with Representatives Sander Levin of Michigan and Ben Cardin of Maryland on a pay-as-you-go plan that would phase in benefits to workers as companies helped states meet voluntary spending targets. The White House knows such moderate compromises could win bipartisan support, but it isn't willing to endorse any alternatives yet. "We're not trading at this point," says Ickes.

But he will eventually, which helps explain why Clinton has given Ickes responsibility for strategy for the 1994 congressional elections. Typically, the President's party loses seats in the House during its first midterm election. White House officials are trying to limit the loss to 24 seats, which would leave Democrats with an 18-vote margin, and to retain their six-vote edge in the Senate. Placing Ickes in charge of health care and politics makes sense: the person who decides what to fight for and what to give away in the legislative bartering on health care will have a great deal of influence over who gets party money, who wins presidential visits and who gets to ride on Air Force One. By any measure, Ickes' influence is on the rise. —*With reporting by Dick Thompson/Washington*

PUBLIC EYE

Margaret Carlson

Harry and Louise

HE'S A BIG-PICTURE GUY AND DOESN'T SWEAT THE DETAILS. SHE LOVES policymaking and is fascinated by health care. He's been playing hoops outside while she's scrutinizing the fine print of the President's Health Security Act.

Bill and Hillary? No, that other fun couple, Harry and Louise, the on-air pair making the insurance industry's case against the Clinton health-care plan. Harry and Louise are more than just a couple of smooth talkers moving product: they're would-be opinion leaders. TV and radio commercials have become a major forum for debating the restructuring of one-seventh of the economy, the health industry. Besides the $10 million that the Health Insurance Association of America has spent on Harry and Louise, the AFL-CIO has budgeted $3 million on campaigns to support the Clinton plan. Meanwhile the Pharmaceutical Manufacturers Association has allocated about $9 million for ads to counter any impression that they may be the bad guys.

What explains Harry and Louise's inspiring 286,000 calls to a toll-free number since the series began in September? Sure, they lured both Clintons into blasting them, but it's the hokey soap-opera techniques perfected in the Taster's Choice coffee ads that have made Harry and Louise seem like a bad song you can't stop humming. The actors cast as Harry and Louise by Ben Goddard, president of the Goddard-Clausen/First Tuesday ad agency, are similar to the Taster's Choice twosome in age, self-absorption and pseudo sophistication, although they have dissimilar levels of sexual tension.



This cozy couple cost a cool $10 million

"Harry and Louise are Everyman," says Goddard, but no one like them has ever been seen in nature. Which is more fantastic? That a cappuccino-swilling duo would be caught dead spooning coffee from a jar, or that a two-career couple would spend their nights reading aloud from government documents? That anyone, much less the sophisticated lady with the arch British accent, would cart Taster's Choice to Paris, the City of Cafés, or that Harry's response to his wife's persistent nattering would be a chipper "Health-care reform again, huh?" If the pair of them had been members of the Screen Actors Guild when F.D.R. was President, there might be no Social Security.

Both ads play on the credibility of the successful middle-aged yuppies who have no more pressing concerns than the specter of bad coffee or bad regulation. Says *Adweek's* Barbara Lippert: "Harry and Louise are the perfect 'muppies,' with a plumped, overstuffed existence, telling other people that if they make similarly smart choices they too can have a beautiful life." Oddly enough, the admakers have no concern for the annoyance some viewers might feel at the sight of this self-satisfied couple who pay their bills on time and floss every day. Lippert says it doesn't matter how irritating they are "if the ad has 'recall.' "

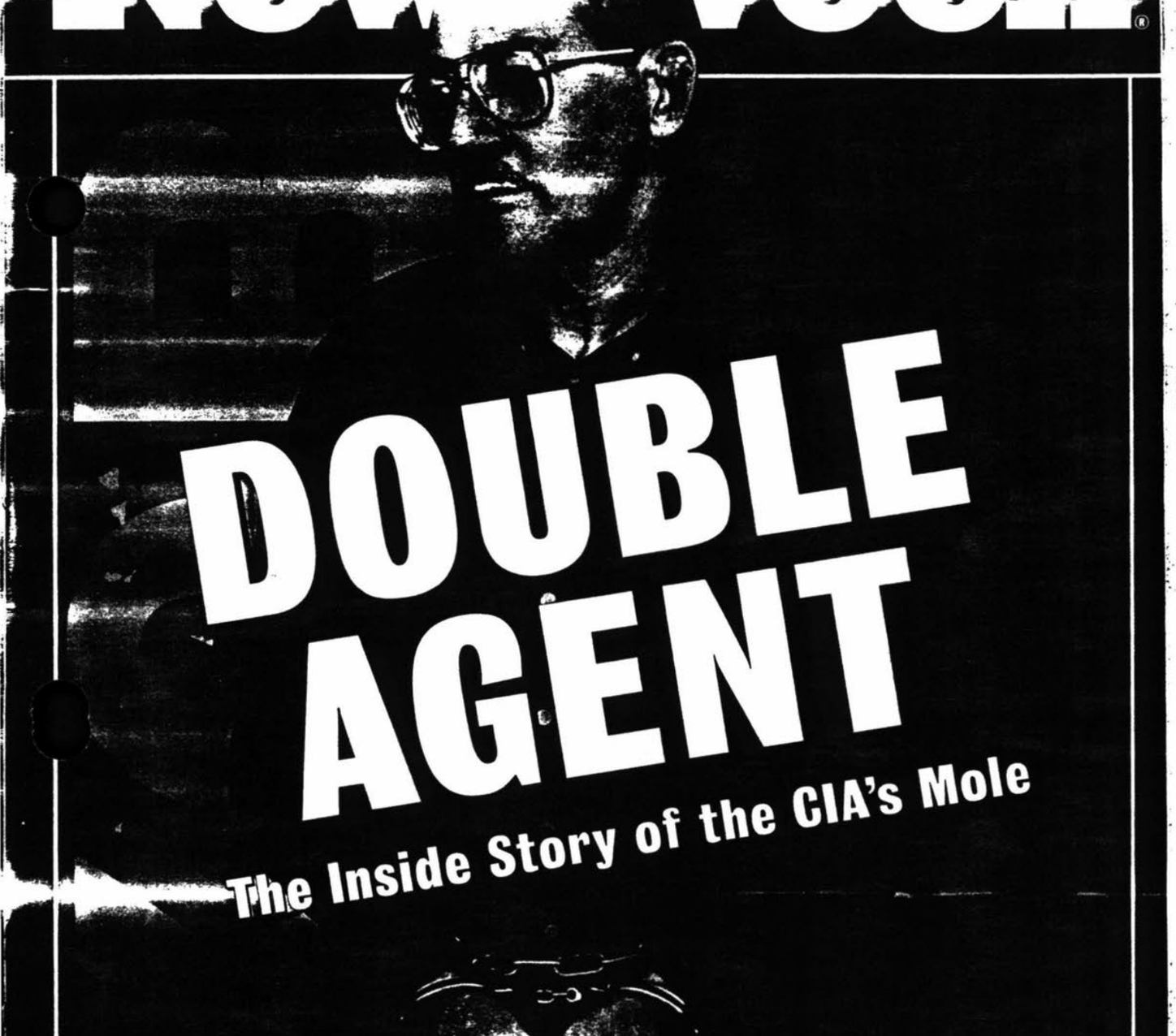
So much recall, in fact, that Kathleen Hall Jamieson, dean of the Annenberg School for Communication at the University of Pennsylvania, is asking the press to undertake an "ad watch for public-policy commercials. Harry and Louise invite false inferences . . . They frighten people about reform, while insisting they are for it."

Last week there was justifiable outrage over a health-care ad by the Democratic National Committee in which the words of Republican Governor Carroll Campbell of South Carolina were edited to make it sound as if he had said "there's not a crisis," when he had said "you shouldn't say there's not a crisis." The muppies confuse in their own way: Harry and Louise shed no more light on health care than their counterparts selling Taster's Choice shed on instant sex or coffee. For now, viewer discretion advised. ■

Massacre at the Mosque
Is Mideast Peace at Risk?

A Silver for Nancy
More Trouble for Tonya

Newsweek



DOUBLE AGENT

The Inside Story of the CIA's Mole

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Did Web Hubbell Play Both Sides of Madison?

Whitewater: A question of loyalties

ON PAPER, WEBSTER HUBBELL IS THIRD in command at the Justice Department under Attorney General Janet Reno. But few administration officials have better inner-circle credentials than the genial ex-Arkansas Razorbacks football star. As President Clinton's golfing buddy and political troubleshooter, as well as Hillary Rodham Clinton's former law partner at Little Rock's Rose firm, he gets White House attention with far more ease than his boss. Hubbell's ties to the Clintons also touch the murky world of Whitewater. Two investigations have raised troubling questions about his role in the affair. At issue is whether Hubbell unethically played both sides in litigation involving Madison Guaranty, the failed S&L owned by James McDougal, the Clintons' partner in the Whitewater vacation-home development.

Hubbell, the Rose firm's senior partner, first became involved in Whitewater in 1989, when the federal government took control of Madison. The Federal Deposit Insurance Corporation (FDIC), seeking to recover money lost by depositors, decided it was pointless to sue Madison's officers. Instead, it went after the bank's accounting firm, Frost & Co., which a few years earlier produced an audit claiming that Madison was in good health. Looking for help with the crush of S&L litigation, FDIC attorney April Breslaw hired Rose to sue Frost.

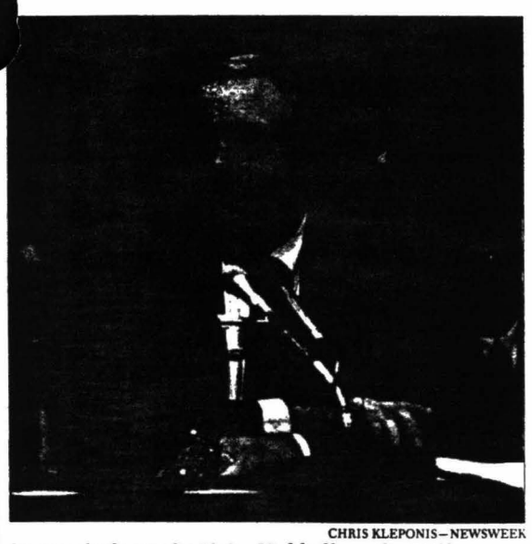
But according to a new report by another agency responsible for S&L cleanup, the Resolution Trust Corporation (RTC), the Rose firm concealed a critical point from FDIC in 1989: that Madison once had been its client. In 1985 Hillary Rodham Clinton sought regulatory approval for McDougal's plans to shore up the bank's financial base. To bolster its case before state securities regulators, the firm used Frost's reassuring audit—the same one Rose would now challenge in the government's lawsuit.

What the FDIC *did* know about Rose should have been disturbing enough. Hubbell's father-in-law, Seth Ward, an officer of a company affiliated with Madison, had won a $447,000 judgment against the bank for unpaid commissions. FDIC attorney Paul Jeddeloh says Hubbell was even present in court as Ward pursued his claim. Ward's brother-in-law had also sued Madison. "... There appears to be a conflict in representation and a question of loyalties," Jeddeloh wrote in a June '89 letter to Breslaw.

Major role: Some agency officials were worried that sensitive data about Madison would be compromised. "To believe that none of this information will make it back to [Hubbell's] family is naive," another staffer warned Breslaw in a memo. She dismissed conflict-of-interest concerns, however, explaining that Hubbell would not be Rose's lead attorney in the Frost case. But law-firm bills obtained by NEWSWEEK show that Hubbell, in fact, played a major role, preparing motions and depositions and interviewing potential witnesses. Rose settled the case in 1991 for just over $1 million—far less than the $20 million the FDIC sought. It also collected $400,000 in fees and expenses.

Yet the FDIC maintained in a report earlier this month that the Rose firm violated no conflict-of-interest rules. When Republicans on the Senate Banking Committee yelled whitewash last week, the agency agreed to review its findings. The administration compounded GOP suspicions when Deputy Treasury Secretary Roger Altman, acting head of RTC, revealed that he'd held an unusual briefing for Clinton aides on the agency's Whitewater probe. Altman said there was nothing improper about the meeting. But the next day he recused himself from Whitewater matters. Hubbell, who says he isn't talking while special prosecutor Robert Fiske conducts his inquiry, can't distance himself as easily.

MARK HOSENBALL *in Washington*



CHRIS KLEPONIS—NEWSWEEK

Inner-circle credentials: *Hubbell on the Hill*



WESLEY BOCXE—JB PICTURES

A 'thoughtful' decision: *ATF agent at Waco*

A Split Verdict on Armageddon

Waco: The jury decides

THE VERDICTS WERE SPLIT, BUT THE body language said it all. When the jury in the trial of 11 surviving members of the Branch Davidian sect returned its findings in San Antonio, Texas, last week, there was palpable depression from federal prosecutors and hugs and backslapping from the defense. Four defendants got off scot-free and two others were convicted only on firearms violations. The remaining five Davidians, all men, were found guilty of voluntary manslaughter in the shooting deaths of four agents of the U.S. Bureau of Alcohol, Tobacco and Firearms during ATF's disastrous raid almost exactly a year earlier. The result was far less than the murder and conspiracy charges the government had tried to prove against all 11 defendants and, according to defense lawyer Dan Cogdell, showed that jurors believed "what the FBI did, what the ATF did ... was wrong."

That may be, although prosecutors maintained that the five convictions for voluntary manslaughter made the government's case "successful" and showed that the ATF agents "did not die in vain." Still, the reaction in Washington, where the terrible finale of the showdown with David Koresh and his followers has shaken both the FBI and ATF, was somber. ATF's new director, John Magaw, conceded his agency's "mistakes" and said, "We pray [that the guns of Waco] are never heard again, anywhere." U.S. Attorney General Janet Reno, who approved the final assault on the Davidians' compound, praised the jurors' "thoughtful verdict" and said the FBI is still studying the tragedy to ensure it doesn't happen again. "I will never forget Waco," Reno said. "The ghost of Waco will be with me all of my life." ■

1994 TAX GUIDE: BEST WAYS TO SAVE MONEY ON APRIL 15

U.S.NEWS

MARCH 7, 1994 & WORLD REPORT $2.50



THE MILLION-DOLLAR SPY

INSIDE STORY: How Moscow bought America's most sensitive secrets – and how the FBI cracked the case

PLUS: The mobsters who now rule Russia

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U.S. NEWS

Bill Clinton's Dr. Fixit

Harold Ickes has the toughest job in the capital–saving the White House's health plan

The mood was pleasant, even friendly, when President Clinton invited congressional leaders to the White House last week to talk about health care over dinner. Edward Kennedy extolled the virtues of working with Republicans. Even Republican Bob Dole waxed conciliatory, telling the private meeting that "if you put all the things we disagree about over health care on one side of a chalkboard, and all the things we agree about on the other side, the things we agree upon would be much longer." The president himself said the health care debate was no debate at all but "the beginning of a conversation."


DARRYL HICKES – USN&WR

Medicine man. *Ickes takes charge.*

During the dinner, one person did not rise to speak – and yet everyone in the room knew that he would be a central figure in the health debate. That man is Harold Ickes, the New York lawyer and longtime friend of Bill and Hillary Clinton, who has the prominent – some would say dubious – honor of leading the administration's health care fight.

After all, the White House dinner was a rare moment of comity in what is increasingly becoming an all-out war over health care. The next few months will be especially decisive for Ickes and the president he serves. First, the veteran of several Democratic presidential campaigns must manage the "outside" game of rallying public support for Clinton's program. Then there is the more important "inside" effort to get the votes in Congress needed to pass the plan. No fewer than five congressional committees will write their own health care bills – each one with its own wants and needs, egos and conflicts (box, Page 50).

Certain change. One thing, however, that seems to unite lawmakers, from liberals who favor a Canadian-style, single-payer health care system to conservatives who favor cosmetic changes in the current system: All know the Clinton plan will be changed. Especially vulnerable, they say, are his proposals to create health care alliances through which Americans would buy their insurance (see column, Page 62), his plans to finance the scheme through large employer contributions and his limits on insurance premiums. "I suspect that the president's plan will be picked at," Ickes acknowledges, "but at the end, the necessary elements of guaranteed private health insurance will remain intact." In coming weeks, say Clintonites, the alternatives to their plan, like the one promoted by Democratic Rep. Jim Cooper of Tennessee, will come under fire from the public.

An equally important question is whether Ickes himself will be found wanting. So far, the answer is no. Since his arrival at the White House in December, Ickes has become immensely powerful. He is known for a direct, New Yorker's way of tackling issues – complete with cursing – that is in striking contrast to the unfailing Southern courtesy of Chief of Staff Mack McLarty and Counselor David Gergen. But unlike his fellow New York lawyer (and former significant other) Susan Thomases, who is close to both Clintons, Ickes has widespread support throughout the White



Speak softly. *The Clintons plan to let Congress wor*

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CHARLIE ARCHAMBAULT – USN&WR



...ut its reform legislation largely on its own, while they take to the road to promote their ideas.

House. Insiders find him good humored and mercifully efficient in an organization known for endless meetings.

At 54, Ickes is seven years the president's senior and older than White House counselor David Gergen. Yet he is especially popular among younger White House aides who worked on the campaign and like the idea of a tough Democratic partisan in the upper ranks of the White House. "One of the first things that a general can do is give courage and confidence to his troops, and Harold has done that," says an administration official. "He is one of the best decision enforcers in an institution that needs a lot more of that. His modus operandi is to say, 'We're through debating that. Let's decide.'" For example, officials say the administration's response to charges in the Whitewater affair, while clumsy, would have been even slower if Ickes had not acted.

Ickes will spend an increasing amount of time coordinating the White House's efforts to win the 1994 congressional elections. But those close to him insist that while he's liberal—he is a veteran of the presidential campaigns of Ted Kennedy and Jesse Jackson—he is no ideologue. During the presidential transition, for instance, he helped broker a compromise over administration ethics rules that had divided Clinton's staff. "He probably sided with the liberals in his heart," said one insider, "but he played it straight." Ickes insists that on health care, "I have no ideological constraints."

Latecomer. Ironically, this rising power broker almost didn't join the administration. Even though Ickes has known the Clintons for nearly a quarter century, even though he was instrumental in engineering Clinton's crucial win in the New York Democratic Primary, and he ran the Democratic convention that vaulted Clinton in the polls, he stayed out of the administration when Clinton took office. He was forced to take himself out of the running for a top job because of reports that his law firm was under investigation for its work for a labor union suspected of mob ties. When McLarty told staffers in a private meeting in Little Rock in December 1992 that Ickes would not be coming in "and that sometime those who helped get you here can't go all the way with you," several Clintonites wept. Even after the exoneration of Ickes and his firm in 1993, Ickes, with a 7-year-old daughter and a wife who is also a lawyer, was reluctant to leave New York.

Now that he's on the job, Ickes brings to it the zeal of a workaholic ("He called me from Washington from work on Sunday at 7:30 a.m.," marvels a friend, New York lawyer Victor Kovner). He also brings a prominent political pedigree. His father, also named Harold Ickes, was a prominent member of Franklin Roosevelt's New Deal cabinet, and the parallels between father and son are eerie. FDR's Treasury Secretary Henry Morgenthau dubbed the senior Ickes Washington's "tough guy." Both men could be somewhat mercurial. The son debated whether to join the Clinton administration; his father "threatened to resign constantly," says T. H. Watkins, whose biography of the senior Ickes, *Righteous Pilgrim*, is becoming required

reading in the White House. Both men even had Washington accidents in which they broke their ribs.

But while Ickes's arrival is lifting spirits in the White House, it doesn't solve Bill Clinton's health care dilemmas. Some members of Congress still think the administration speaks with several voices; they complain that they don't know where to go with their questions. Crucial decisions will start being made this week as the House Ways and Means health subcomittee debates its own version of health reform. The panel's Democrats are still sorting through the details, but the betting is they will scrap the Clinton insurance-pool alliance scheme and propose an expansion of Medicare to phase in coverage of the unemployed and the poor. But the larger committee and the other competing panels are likely to head in different directions.

Going it alone? Looming above the committee dynamics is a strategic issue: whether Democratic leaders in the House will try to move a plan without Republican votes. Insiders say they will. But that is risky; a bill that passes the House with only Democratic votes could give Senate Republicans the opportunity to use their filibuster power to thwart the Democrats. One variable is the degree to which Senate GOP leader Bob Dole will be willing to help the president pass a plan. His chief of staff, Sheila Burke, hints at a compromise consisting of insurance reforms, voluntary alliances and a "far less broad and prescriptive benefit package." But no Democrat has yet embraced even that outline of a deal.

Some Ickes associates wonder whether his skills in working for political campaigns and advising politicians make him the right person to win hearts and minds on Capitol Hill, even though his health care team includes congressional staff veterans George Stephanopoulos and Patrick Griffin. "He's never really worked with Congress," says a person who worked with Ickes on a presidential campaign. "He's untested."

For their part, the folks on the Hill welcome Ickes's reputation for acting with dispatch. "There is going to come a time when decisions need to be made quickly, and someone will have to speak with authority," says one top House Energy and Commerce Committee staffer. "If it's Ickes, so be it. We don't care if it's Hillary, Bill, Chelsea or Socks, so long as a decision maker is there." ■

BY MATTHEW COOPER
WITH GLORIA BORGER

Health reform's winding road

Five congressional committees will write health reform bills. Then the full House grapples with its three versions and the Senate with its two versions. Later comes bargaining between the two chambers. Final passage: October.



Ways and Means



Dan Rostenkowski
Illinois Democrat

State of play:
The chairman likes moderate bills that can pass. But he must work with liberal subcommittee boss Fortney "Pete" Stark, who is writing his own bill.

Likely bill:
Stark may kill mandatory alliances and Clinton's version of price controls, but Rosty could amend that. Employer mandates could survive.

Energy and Commerce



John Dingell
Michigan Democrat

State of play:
Business has made this panel its chief lobbying target: Clinton's top rival, Rep. Jim Cooper, is a member, and it's full of conservatives.

Likely bill:
Chairman Dingell has problems even in his Democratic ranks. Everything but universal coverage is in dispute. If any bill emerges, it will be the most conservative.

Education and Labor



William Ford
Michigan Democrat

State of play:
This panel is stocked with liberals and organized-labor backers, mirroring the chairman's leftist views. It does not command the power of its two rival panels.

Likely bill:
No work has begun yet, but this panel's bill could most resemble the Canadian-style plan that 90 House Democratic liberals endorse.

Finance



Daniel P. Moynihan
New York Democrat

State of play:
Conservative Democrats and moderate Republicans hold the balance of power. Moynihan will work with GOP boss Bob Dole to avoid a GOP filibuster.

Likely bill:
Cost containment is Moynihan's priority. Other planks: an end to insurance limits on those with pre-existing conditions; modest benefits package.

Labor and Human Resources



Edward Kennedy
Mass. Democrat

State of play:
He's dreamed about health reform for decades and doesn't want this chance to pass. The panel is stocked with liberals.

Likely bill:
This panel could end up producing the bill that most closely resembles the Clinton plan. But something that passes out of this liberal committee could be doomed on the Senate floor.

RICHARD GAGE—USN&WR

PHOTOS: CHICK HARRITY – USN&WR; TIM DILLON – USA TODAY; DARRYL HEIKES – USN&WR; ERIK FREELAND FOR USN&WR; CHICK HARRITY – USN&WR

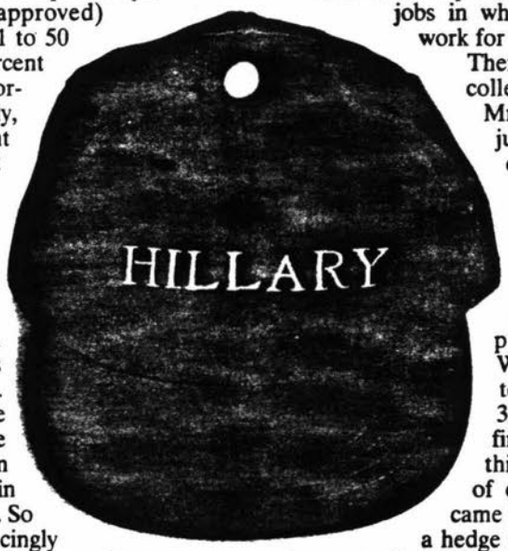
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ON POLITICS

BY MICHAEL BARONE

Is she a political liability?

Hillary Rodham Clinton is the lodestone of this administration, magnetically attracting its core constituency and repelling its die-hard enemies. The core constituents can be described as feminists, if that word is broadly and sympathetically defined—women who work outside the home, for whom "choice" is not just a euphemism for abortion but shorthand for a validation of lifestyle choices often quite different from their mothers'. This feminism is the chief source of enthusiasm, energy and even money in the Democratic Party today. Last summer, working women, who are about 30 percent of the electorate, gave Bill Clinton a 51 percent job approval rating (37 percent disapproved) when his rating with others was 41 to 50 percent negative; in January, 58 percent of working women rated him favorably and just 29 percent unfavorably, compared with 48 to 37 percent among other women and 51 to 42 percent among men.



Mrs. Clinton's career outside the home, her advocacy of liberal programs for children and her independence on issues have made her a central figure in her husband's campaign and government. Yet on issue after issue she has shown startlingly bad judgment. Start with health care. It has become clear that the Clinton health care plan in anything like its present form is incapable of winning 218 votes in the House or 50 votes in the Senate. So far, the Clintonites have not convincingly answered questions about the potential cost and bureaucratic heavy-handedness of their scheme, and they have failed to refute the devastating critiques of the plan's details by Elizabeth McCaughey in the *New Republic*. The challenges have been particularly effective in scaring congressmen who remember the backlash against the Catastrophic Health Care Act of 1988—a bill that was passed with high intentions to solve a supposedly pressing health care problem of the elderly but one that many elderly citizens did not end up liking.

Problems aplenty. Apparently, proponents of the Clinton health plan figured they could win majorities for her redesign of one seventh of the economy by calling on Democratic Party loyalty, propitiating major lobbies like the big auto companies and buying the last votes with pork or promises, just as the administration won its battle on the budget last year. That turns out to have been bad political judgment because Democrats seem unwilling to risk their careers on a complex bill. The White House argues that Congress must pass something, for which the president will get credit. But Congress could pass nothing—or something so plainly different from the Clinton plan that claiming credit for it will be ludicrous. At the least, the first lady arguably wasted 10 months concocting a plan with no chance of passage.

Nor has she showed good judgment in her insistence on gender and race quotas in presidential appointments. To a point, these may be political pluses. But the insistence on a female attorney general yielded an incumbent who produced the debacle at David Koresh's compound in Waco, who opposes the president's popular stands on capital punishment and 100,000 new police and whom some White House aides have been itching to get rid of for months. And there is an opportunity cost to insisting that women and members of minority groups get a high number of key jobs. Any Washington insider can list a half-dozen top-notch white males who failed to get jobs in which they could have done fine work for the administration.

Then there is the Arkansas tangle collectively known as Whitewater. Mrs. Clinton showed poor political judgment, at the least, when she 1) did legal work as a private attorney in the mid-1980s for Madison Guaranty Savings & Loan as it sought help from a state official appointed by her husband; 2) took an improper tax deduction of $5,000 for interest paid in connection with their Whitewater property ("inadvertently," the White House insists); 3) failed to get the Clinton family finances into a blind trust (something most officials do as a matter of course) until months after they came into office, and 4) held shares in a hedge fund that was selling health care stocks short when she and the president were denouncing the greed of pharmaceutical firms—an activity that drove down those firms' stock prices. Any one of these items would have been enough to sink a Reagan or Bush appointee.

The first lady remains an articulate spokeswoman, attuned to traditional as well as liberation-minded values, impressively disciplined and cool under pressure. So far the feminist Clinton supporters are willing to overlook her bad judgment just as they have ignored Paula Jones's charge that Bill Clinton sexually harassed her in 1991, although the charge is more serious and has more corroboration than Anita Hill's charges against Clarence Thomas.

But loyalty does not survive betrayal or stark failure, as Richard Nixon found out in 1974. Largely dismissive of George Bush and Republicans, convinced that their own empathy-based politics can improve the nation, feminists expect great things from Mrs. Clinton. If she conspicuously fails to deliver, if there is a crash-and-burn on health care or a condemnation by the independent counsel on Whitewater, morale among core constituents could be shattered, lowering the esprit of the Democratic Party and voter turnout for its candidates, and perhaps even wounding the cause of feminism as well. ■

JEFFREY MACMILLAN – USN&WR; COURTESY OF HYPNOTIC HATS LTD.

RTC Chief Altman Recuses Himself From Matters of Failed Arkansas Thrift

By Albert R. Karr
And Bruce Ingersoll
Staff Reporters of The Wall Street Journal

WASHINGTON—Deputy Treasury Secretary Roger Altman, who is also the interim head of the government's savings-and-loan cleanup agency and is under fire from Republicans, recused himself from matters relating to a failed Arkansas thrift.

Mr. Altman said his term as chief executive of the Resolution Trust Corp. expires March 30 and that he won't have an RTC role beyond that date. In the meantime, he said, he will refrain from involvement in any decisions concerning the failed Madison Guaranty Savings & Loan. Administration officials said Mr. Altman recused himself because of accounts suggesting he may have a conflict of interest. The suggestion stemmed from a meeting early this month at which Mr. Altman briefed several White House officials on the timetable for possible RTC lawsuits against individuals involved in Madison's collapse.

GOP allegations and a persistent flow of news disclosures have linked the Arkansas thrift to helping President Clinton, who was then Arkansas governor, and Hillary Rodham Clinton finance their investment in **Whitewater Development** Corp., a North Arkansas land-development venture, and to helping raise money for Mr. Clinton's gubernatorial campaign debts.

The Whitewater issue was kept alive in the House Friday, when Iowa Rep. Jim Leach, the ranking Republican on the House Banking Committee, released a transcript of a taped 1992 conversation in which James McDougal, the Clintons' former partner in Whitewater, challenged the Clintons' accounting of their investment in the venture.

In the conversation with Sheffield Nelson, who ran against then-Gov. Clinton in 1990, Mr. McDougal charged that the Clintons wrongfully claimed on their 1980 federal-income tax returns that they had made a Whitewater-related interest payment of $9,000 to him. "They have never paid me a penny's interest," Mr. McDougal told Mr. Nelson. "They never owed me any money."

Bruce Lindsey, a senior White House aide, has said that Mr. McDougal is confused about this and that he believes the Clintons paid Mr. McDougal $9,000 as reimbursement for interest paid on a joint loan used to finance the Whitewater venture.

According to the transcript, Mr. McDougal also said the Clintons had personally sold "a corporate asset" – a model home and a Whitewater lot – for which Whitewater had made all the payments. Mr. Lindsey countered that the Clintons made some of the payments.

Mr. McDougal lately has said that the Clintons put only $13,500 into Whitewater, while the Clintons have insisted that they invested—and lost—$68,900.

In a memo to Republican committee members, Rep. Leach said that Mr. McDougal's comments "appear to indicate that the Clintons lost no money in Whitewater" and "suggest that the tax consequences which emanate from this venture merit careful scrutiny."

At the Senate Banking Committee hearing Thursday, Mr. Altman, a longtime friend of the Clintons, said he initiated the meeting with the White House officials "solely to be sure that [White House counsel Bernard Nussbaum] understood the legal and procedural framework in which the RTC was working." He said he told participants of the meeting that he had instructed the RTC staff to handle the Madison case "exactly identical" to its handling of other cases.

Administration officials said that if there had been any hint of RTC favoritism to the Clintons or other administration officials who were Clinton associates in Arkansas, it would have quickly come out in leaked news accounts. Mr. Altman had previously asked the government ethics office and both the Treasury and RTC ethics officers if he should recuse himself from Madison issues, and was told he wasn't legally obligated to do so, officials said.

New York Sen. Alfonse D'Amato, the ranking Republican on the Banking Committee, had several times called for Mr. Altman to remove himself from RTC decisions concerning Madison. In an interview yesterday, the senator said he will ask the participants at the White House meeting to testify before the committee.

Separately, Sen. D'Amato, who has helped lead GOP attacks on the Clintons' Whitewater involvement, released a confrontational letter written to him on Friday by David Wilhelm, the Democratic National Committee chairman. The senator denounced what he called Mr. Wilhelm's "political intimidation tactics" as aimed at stifling further Whitewater-Madison probing. Sen. D'Amato accused the Clintons of using "their hand-picked political hatchetman to try and intimidate the legitimate oversight responsibilities I have" as a senator.

Mr. Wilhelm wrote that accusations of conflict of interest seem more appropriately applied to Sen. D'Amato himself. The DNC chief recounted, among other things, that the Senate Ethics Committee had found that Sen. D'Amato acted "in an improper and inappropriate manner," by allowing his brother, Armand, to use the senator's office on behalf of a law client seeking a Pentagon contract.

Mr. Wilhelm also mentioned a case in which employees of the town of Hempstead, N.Y., were forced to make payments to the Nassau County Republican Committee. Three law school deans said that later evidence showed that the senator, who had been Hempstead's supervisor and a Nassau County Republican official, had probably perjured himself in 1975 grand jury testimony, Mr. Wilhelm said. But by the time that evidence emerged, Mr. Wilhelm said, Mr. D'Amato was immune from prosecution because the statute of limitations had run out.

In the interview, Sen. D'Amato said that such matters are "not relevant" to Whitewater-Madison. He said "the appropriateness of my brother's conduct will be determined by the courts." The senator also called the allegations of perjury "total nonsense."

Health Care Winners and Losers

HEALTH CARE reform tends to sound as if it can only involve a major redistribution of income. That's particularly true of plans such as the president's that would extend protection to the seventh of the population now uninsured. But a new study by researchers at the Urban Institute warns that it's not necessarily so. The study found that in terms of income class, the Clinton plan would have almost no redistributional effect at all. The reasons involve the way the expansion of coverage would be financed, and the fact that a lot more money is already spent on the poor than shows up in the books. It's a useful reminder as Congress begins to try to write a bill of its own: The winners and losers in these complex matters aren't always as they seem.

The study found that the health care sector now absorbs, through taxes, premiums and all the rest, about 12 percent of the income of the richest fifth of the population. Under the Clinton plan, it would likely continue to do so. The middle fifths would likewise continue each to contribute about 14 percent of income. Only for the poorest fifth would the plan make a small difference; its spending would fall from 20 percent of per capita income to 17 percent. The benefit side of the ledger would also be stable. The richest fifth would continue to consume health care equivalent to 6 percent of per capita income; the middle fifth, about 11 percent; and the poorest fifth, right at 42 percent.

Why would a plan that rearranges so much else have so little effect on these percentages? In part because most Americans would continue to get most of their health insurance the way they do now—through work. To minimize disruption and to avoid proposing what would have to be called a tax, the president chose to build on the current system rather than replace it.

(1) His plan would continue to be funded basically through employer-paid insurance premiums. Those are more regressive than they sound. A worker may think his employer is buying his insurance when in fact the worker himself is paying, through lower wages than he would otherwise receive.

(2) The president also chose not to disturb the present tax treatment of health insurance premiums, which is also regressive. Employer-paid premiums aren't taxed as employee income. The higher the tax bracket of the employee, the greater the value of the exclusion.

(3) In the present system the poor already receive large health care subsidies through taxes, Medicaid and the process called shifting, whereby the insured pay through higher prices for the care of those without insurance. The president would not so much add to these subsidies as regularize them. The financing would be more orderly; the planners also hope that less of the care would be provided in high-cost emergency rooms to patients already seriously ill.

In that sense, dollars spent on the poor might not be the right proxy for the benefits they would receive. The plan presumes that, for them especially, the same dollars would be spent more efficiently. The Clinton plan, and most of the serious others, also provide for a second kind of redistribution that is separate from income. By putting entire communities in the same insurance pools, they would have the healthy pay the bills of the sick. The young would likely bear the greatest burden of this, in that they are healthy and tend today to be lightly insured. The shift of resources would be across generational lines, which sets up a different kind of politics.

Whitewater Recusal

DEPUTY TREASURY Secretary Roger Altman's decision to recuse himself from all matters relating to the investigation of the Madison Guaranty Savings and Loan failure was belated but proper. Besides his personal friendship with President and Mrs. Clinton, Mr. Altman also serves as acting chief of the Resolution Trust Corp. It's the independent federal agency charged with disposing of collapsed savings and loans and pursuing civil and criminal cases against those associated with the failures, including officers, borrowers, accountants and lawyers.

Mr. Altman's disclosure last Thursday that he had recently briefed White House counsel Bernard Nussbaum and two top aides to Mr. and Mrs. Clinton on how the RTC would proceed with potential claims growing out of Madison's failure drew Republican charges that the White House was improperly involved in a case that affects the Clintons personally. On Friday, Mr. Altman said that while his briefing was confined to procedural issues confronting the RTC and not matters related to the Madison case, he had exercised "bad judgment" by initiating contact with the White House. "If I had it to do all over again, I wouldn't," he said. There are good reasons, however, why he should never have entertained the idea of going over to the White House in the first place.

Mrs. Clinton and her former Rose Law Firm partners represented Madison in the mid-1980s. Her firm also sued Madison's accountants on behalf of the federal government in 1989. The Clintons were also business partners with James McDougal, owner of the failed Madison Guaranty Savings and Loan. The Clinton-McDougal joint investment in the Whitewater land venture also had a banking relationship with Madison. It was inappropriate for the head of an independent regulatory agency to give a "heads up" (to use Mr. Altman's words) to White House advisers of the Clintons who are his friends and who are also potential defendants in RTC civil suits.

If, however, it was wrong for appearances sake for Mr. Altman to offer a briefing, it was inappropriate for the same reason for Mr. Nussbaum, deputy chief of staff Harold Ickes and Mrs. Clinton's chief of staff Margaret Williams to accept the invitation. The Whitewater probe is a personal matter for the Clintons and does not involve the presidency. With the hiring of private attorney David Kendall to represent the Clintons' interests in "Whitewater," White House staff, absent a showing of an official link to the White House, should keep their hands off the probe.



By Bob Laird, USA TODAY

Clinton, missing details, puts security at risk

Lax practice with White House passes is an example of the casual attitude about details.

The Clinton family ought to hang a sign on the front door of the White House: "Trouble Welcome Here."

The president got mugged twice last week by Russian President Boris Yeltsin because members of his team seemed to forget that our allies aren't always our friends.

The Department of Defense set up the first pounding when it poohpoohed a quiet warning that the Russian government would send 400 troops to Sarajevo on Feb. 20. The crack units swept into the Bosnian capital without objection from Washington, and quickly transformed a NATO effort to subdue Bosnian Serbs into a Russian-led coup that ensured Serbian superiority.

The last-minute deployment undermined President Clinton, who had hoped to bully the Serbs into submission with the threat of U.S. air strikes, and thrust Yeltsin into the center of the latest Balkan crisis.

The gambit also enraged U.S. intelligence agents, who decided to [illegible]e against Moscow by blowing the whistle on Aldrich Ames. They [illegible] known that Ames, a former director of the Soviet counterintelligence desk at the CIA, allegedly fed secrets to the KGB from 1985 until the Yeltsin era.

The Ames charges provoked the second mugging. Contrary to expectations in Washington, Yeltsin showed no contrition or embarrassment about revelations that he had been spying on Clinton. While FBI agents in Virginia were hauling Ames and his wife before a federal magistrate, the parliament in Moscow was voting to pardon Vladimir Kryuchkov, the former KGB director who participated in the coup to oust Mikhail Gorbachev — and who would have overseen the activities of Aldrich Ames or any CIA infiltrators.



By Tony Snow, a Washington columnist for *The Detroit News.*

Russian officials later made it clear that they had no intention of apologizing for something that every nation will practice in the information age — good, zestful espionage.

The episodes should have taught a simple lesson: The world has changed since the dark days of superpower confrontation, but not enough to reduce the need for old-fashioned suspicion and secrecy. Cold Wars may die, but spying and intrigue live forever.

Unfortunately, this president and his team don't get it. Although they have ordered a review of CIA procedures, they seem as vigilant about other security challenges as fraternity brothers at a keg party.

Consider the routine matter of guarding entry to the White House. Most administrations have taken great care to restrict the honor of service to people unburdened by personal skeletons. The FBI and Secret Service weed out bad apples by conducting exhaustive background checks of all would-be aides. Even the loftiest grandee must wear a temporary identification badge, marked conspicuously with the letter "T," until the experts have given final approval.

Officials in the Bush administration typically received clearance (and permanent passes) within six weeks. But not so in Clinton Village: A significant number of White House aides have not received security clearance more than 13 months into this presidency, and Clinton's minions repeatedly have refused to tell congressional investigators how many employees lack permanent badges — or why.

Moreover, the administration has doled out passes to people who have no regular or official duties at 1600 Pennsylvania Avenue. Hollywood producer Harry Thomason had full run of the executive mansion until word of his privilege leaked out, along with allegations that his advocacy of Travel Office reforms might have breached conflict-of-interest laws. Outside consultants such as Susan Thomases, James Carville and Paul Begala still have blue passes that grant them unfettered entry to the sacred political grounds.

There is nothing illegal or unprecedented about this kind of freedom. The rules governing admission to the White House have evolved through tradition, and a president can alter custom as he sees fit.

But the lax practice speaks volumes about the casual way in which the administration views the world. If the CIA, with its mania for security, can fall prey to a scandal of the Ames variety, a shambling White House can disgorge lots of secrets or attract potential disasters — such as one that almost befell the Clinton team last summer, when a virus imported by a White House techno-wiz threatened to shut down computers at the Treasury Department.

Rep. Frank Wolf, R-Va., understands this. He made the link between the reputed spy and the White House passes in a Feb. 24 letter to the president. "Aldrich Ames had a top security clearance," he wrote. "From my understanding of the Administration's current White House pass policy, there are still many White House employees who have temporary passes and thus, I assume, do not have their full security briefings. . . . I hope you and your staff will be able to give this important issue immediate attention."

The president ought to take heed. While Bill Clinton doesn't deserve blame for a CIA culture that may have let Aldrich Ames peddle secrets and destroy lives, he does bear responsibility for what goes on in his house and office. His insistence on throwing open the doors of the executive mansion and showering pals with Southern Hospitality invites unnecessary trouble.

The administration seems to regard Wolf's advice as an intrusion, and that's a huge mistake. Lots of graybeards in Washington could lecture the Clinton cadres on the importance of protecting the president from well-intentioned supporters who want desperately to serve in a White House — but who, for reasons of character or background, should not.

As recent history has shown, little oversights can come back to haunt chief executives. The president got knocked around in Bosnia because his people ignored little things — like a warning that Yeltsin would dispatch troops. The CIA was humiliated in the Ames affair because it failed to pay due attention to an obvious warning sign, the CIA analyst's decision to purchase a $540,000 home with sacks of cash.

The White House's dallying with permanent passes falls into this pattern of ignoring crucial details. The delays give the impression that the administration doesn't care about security or that aides have linens they want to hide. Both possibilities will tempt opportunists to look for latter-day Benedict Arnolds in Bill Clinton's midst.

VA care urged for vets' dependents

Dear Sgt. Shaft:

I read with interest the exchange between you and Secretary of Veterans Affairs Jesse Brown on the effect that national health reform might have on VA care for veterans (Jan. 3, 1994). I would like to revisit the issue.

There seem to be two separate disputes in Secretary Brown's letter and your retort. They are: (1) the possible care and treatment of non-veterans in VA facilities; and (2) the VA's ability to compete with other providers of health care under a universal scheme.

Much has been made by the various veterans groups and others about permitting the care of non-veterans in VA's already under-utilized facilities. I understand, however, that the practice of treating certain non-veterans and non-U.S. veterans in VA hospitals is not new.

Probably too much has been made of this issue, particularly when considering the president's proposal for universal health care for all American citizens.

Be that as it may, I note that the Clinton administration's bill would delegate to the secretary of veterans affairs the discretionary authority to permit care and treatment in VA facilities of the dependents of veterans similar to that provided in military health facilities for active duty personnel, retirees and their dependents.

Care and treatment of such dependents at military facilities has been in place for some time and, as far as I know, has not undermined the military's basic health care mission.



Similarly, to extend care for dependents in VA hospitals would not undermine VA's basic mission "to care for him who has borne the battle and for his widow and orphan." Rather, such an extension would expand VA's patient care modes and attract new and exciting talent to the VA.

As a Persian Gulf veteran, the proposed care that would be provided to me at VA under the president's health reform bill would not be a reasonable option. Why should I select VA while my wife and children receive care under another plan?

Should the president's health bill be enacted as proposed, I would urge the secretary to implement plans for the care and treatment of veterans' dependents in VA facilities. Perhaps it's time we should reduce the cost of providing health care for allied and other foreign country's non-U.S. veterans and allow our own non-veteran but military-associated family members to become a part of VA health care: $3.3 billion would go a long way to accomplish this goal.

For those of us who have been injured in combat it would be a shame to have won the battle only to have lost the war for our special needs for health care, simply because the VA could not compete.

B.J.
Annapolis, Md.

Dear B.J.:

Your suggestions seem to be consistent with the recommendations made in a 1992 report by the VA's Commission on the Future Structure of Veterans' Health Care. The report stated: "Looking 20 years down the road, the Commission saw the need for the system to provide a broader range of health care services with an increased emphasis on long-term care; an improved and a more clearly defined definition of those who have access to care; increased sharing of health care resources between the VA and the Department of Defense; and innovative approaches to securing increased funding."

The sarge has run your ideas up the flagpole; let's see who salutes. But let us ensure that Taps is not played for our veterans health care system.

Shaft kudo

The sarge was happy to join Secretary of Labor Robert B. Reich at the recent swearing-in ceremony of Preston M. Taylor Jr. as the assistant secretary for veterans' employment and training. The sarge applauds the new assistant secretary for naming my longtime friend, the vocationally challenged Tim Craig, to his staff.

** Send your letters to Sgt. Shaft, c/o John Fales, P.O. Box 65900, Washington, D.C. 20035-5900, or fax to 301/622-3330.*



TONY SNOW

Careless security slippage throughout Clinton village

The world gave President Bill Clinton a year to acclimate himself to the brutal nature of geopolitics. Then it pounced.

Russian President Boris Yeltsin kicked off the melee by sending 400 troops to Sarajevo on Feb. 19. With one order, Mr. Yeltsin transformed a NATO effort to subdue Bosnian Serbs into a Russian operation to ensure Serbian superiority.

The gambit made a fool of Mr. Clinton, who had hoped to demonstrate his geopolitical prowess by bullying the Serbs into submission. It also enraged U.S. intelligence agents, who retaliated by blowing the whistle on Aldrich Ames. Mr. Ames, a former director of Soviet counterintelligence at the CIA, fed secrets to the KGB from 1985 until the Yeltsin era.

But the leak backfired. If Mr. Yeltsin was embarrassed by the revelation that he had been snooping on Mr. Clinton, he didn't show it. While FBI agents in Virginia were hauling Mr. Ames and his wife before a federal magistrate, the parliament in Moscow was voting to pardon Vladimir Kryuchkov, the former KGB director who participated in the coup to oust Mikhail Gorbachev — and who helped turn Mr. Ames into a Soviet mole.

These dizzying games of global chess reiterate an old lesson: Cold Wars may die, but spying and intrigue live forever. In today's chaotic world, a superpower must protect its secrets zealously and keep close watch over its interests abroad.

Unfortunately, the Clinton administration doesn't seem to get it. The president and his team seem as concerned about international security issues as a frat house on Homecoming weekend.

Consider the routine matter of guarding entrance to the White House. In most administrations, presidential appointees cannot accept "permanent" jobs until the FBI has completed a thorough background check. If nothing incriminating shows up in the investigations, the employees swap temporary passes for permanent badges that grant them instant entry to the White House compound.

Officials in the Bush administration typically got clearance within six weeks. Not so in Clinton Village, though: A significant number of White House workers have not received FBI benediction more than 13 months into this presidency, and the president's aides repeatedly have refused to tell congressional and General Accounting Office investigators how many employees have no permanent badges or why.

Moreover, the administration has doled out passes to people who have no regular or official duties at 1600 Pennsylvania Avenue. Hollywood producer Harry Thomason had full run of the executive mansion until word of his privilege seeped out, along with allegations that his advocacy of Travel Office reforms might have breached conflict-of-interest laws.

Clinton aides Patsy Thomasson and Harold Ickes enjoyed similar liberties long before they joined the Clinton team. And outside consultants, such as Susan Thomases, James Carville and Paul Begala, still have blue passes that grant them unfettered entry into the sacred political grounds.

There is nothing illegal or unprecedented about this kind of freedom. The rules governing admission to the White House have evolved through the years, and a president can alter custom as he sees fit.

But the lax practice speaks volumes about the casual way in which the administration views the world. If the CIA, with its mania for security, can fall prey to a scandal of the Ames variety, a shambling White House can disgorge lots of secrets or attract potential disasters — such as the one that almost befell the Clinton team last summer, when a virus imported by a White House technowiz threatened to shut down all the computers at the Treasury Department.

Rep. Frank Wolf, Virginia Republican, understands this. He made the link between the fallen spy and the White House passes in a Feb. 24 letter to the president. "Aldrich Ames had a top security clearance," he wrote. "From my understanding of the administration's current White House pass policy, there are still many White House employees who have temporary passes and thus, I assume, do not have their full security briefings. . . . I hope you and your staff will be able to give this important issue immediate attention."

The president ought to take heed. While Bill Clinton doesn't deserve blame for a CIA culture that let Aldrich Ames peddle secrets and destroy lives for nearly a decade, he does bear responsibility for whatever goes on in his house and office.

The administration's failure to complete routine FBI checks gives the impression that the White House doesn't care about security or that aides have linens that they want to hide. Either way, the sloppy procedures invite our friends and foes to nose around in search of another Aldrich Ames.

Tony Snow is a Washington-based editorial page columnist for the Detroit News and is nationally syndicated.

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Lessons from Lillehammer

Before the 1994 Winter Olympics began in Lillehammer, sports lovers wondered whether the Games would be ruined by controversies and commercialism.

They feared the Harding-Kerrigan hype would overshadow stories about athletic achievements. Many also worried that the attention being given to TV ratings and corporate endorsements would douse the Olympic flame. And, sure enough, there was plenty of obnoxious hype this year about money-making and knee-bashing.

But there was something more. The Winter Olympics turned out to be a largely uplifting event because so many wonderful athletes gave so much of themselves — their hearts as well as their muscles.

Few Americans will forget the sight of speedskater Dan Jansen taking a victory lap with his baby in his arms. Even the coldest heart had to be warmed by the shining eyes of Bonnie Blair as she picked up her fifth gold medal for speedskating. Figure skater Nancy Kerrigan's 1,000-kilowatt smile as she completed her silver-medal performance was enough to outshine the northern lights.

And it wasn't just American athletes who brightened the Olympics. Norway's champion skater Johann Olav Koss called attention to the suffering in Sarajevo — site of the 1984 Winter Olympics — by raising money for the people there.

More than anything, though, the 1994 Winter Games were a success because of the wonderful hospitality of the Norwegians. They cheered for all the champions; they camped on frozen hillsides to watch skiers; they applauded every anthem while proudly waving their own flags.

Journalists and tourists were thoroughly impressed with the Norwegians' good humor while accommodating enormous crowds. Lillehammer, with a population of about 23,000 cheerfully hosted some 160,000 people on any given day.

The Norwegians were able to handle the Games largely because the venues were completed last year. That gave organizers plenty of time to focus on coordinating the volunteers.

The Winter Games were a success because of the hospitality of the Norwegians. They cheered for all the champions; they camped on frozen hillsides to watch skiers; they applauded every anthem while proudly waving their own flags.

Atlanta, host of the 1996 Summer Games, should not forget that lesson. The faster the structures can be completed, the more time we'll have for organizing volunteers.

The Norwegians also managed to make their weather — best described as *cold!* — into a charming feature. Hot beverages were shared, and warm smiles abounded. Though it was freezing outside, no one seemed to mind.

We Georgians know that the weather here in August is best described as *hot!* — we'll have to stir up plenty of iced tea in the summer of 1996. But visitors will not hate our weather if it's made bearable by good humor.

The Norwegians also boosted their reputations as hosts by making their country as multilingual as possible. While Atlantans don't have much time to learn second languages, certainly our hotels and restaurants have an obligation to start displaying signs and menus in different languages and hiring multilingual staff.

Finally, Norwegians made a good impression on others by being so united. Their flag was waved proudly everywhere.

Sadly, we Georgians have a flag that divides, rather than unites, us. Getting rid of that divisive symbol will go a long way toward making this state a united community, ready to open its arms to each other and all people.

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Give special prosecutor a chance

There may be less to the Whitewater controversy than meets the eye. But from the way the White House has been mishandling the investigation, no one could be blamed for suspecting a major scandal.

This is the latest fumble by the Gang that Couldn't Shoot Straight: Last week, Deputy Treasury Secretary Roger Altman admitted to a Senate committee that he had briefed White House aides on the Resolution Trust Corp.'s probe of Madison Guaranty Savings and Loan. Madison is the failed S&L that is central to investigations into President and Mrs. Clinton's Arkansas financial dealings.

The problem with Altman's passing information about the probe on to the White House is that he is acting head of the Resolution Trust Corp., which is supposed to be an independent federal agency. Altman announced later that he was removing himself from the RTC's investigation of the Whitewater affair. But the political damage was done.

The White House seems to have a tin ear when it comes to Whitewater. The Clintons, who say they have done nothing wrong, dithered for weeks earlier this year as calls mounted for an independent investigation. They finally caved in, allowing Attorney General Janet Reno to name Robert Fiske as special counsel.

Altman's disclosure to the committee came just as special counsel Fiske, a Republican former federal prosecutor with impeccable credentials, was getting his criminal investigation off the ground. Fiske is looking into whether funds from Madison, whose failure will cost taxpayers at least $47 million, were either diverted to a failed real estate development called Whitewater or used to help pay Clinton's political campaign debts.

Altman's clearly inappropriate briefing of White House staff members gave Republican critics another opening. With Sen. Alfonse D'Amato (R-N.Y.), declaring, "Something smells rotten in Little Rock," the Republicans are renewing their calls for Watergate-style congressional hearings into Whitewater.

Given the continued bungling from the White House, congressional hearings may sound appropriate. In fact, they would just get in the way of Fiske's criminal probe.

Fiske ought to be given a chance to do his job.

3/1/94

Pruden on Politics

By Wesley Pruden



Racing to judgment in Little Rock

David Hale, the man who found the government money to pump into that little Arkansas piggy bank to save Bill and Hillary Clinton's Whitewater investment scheme, is not your average role model. Not even in certain expensive precincts of Little Rock.

"I'm not a choirboy," he said just the other day.

But some of his friends are choirboys. One of them, who not only sang in the choir but insisted on sitting in the front row, just behind the preacher where he was on camera throughout the televised Sunday morning service, was Bill Clinton.

Mr. Hale goes on trial next month for conspiracy and lying to the federal Small Business Administration, which had licensed him to grant federal loans to blacks and poor whites who probably wouldn't qualify for loans at the big banks in downtown Little Rock. Bill and Hillary, together with their partners James McDougal and his wife, Susan, were four of the poor whites who managed to get the benefit of one of Mr. Hale's $300,000 loans.

This no doubt seems odd to innocents elsewhere, but it's not so odd in Little Rock, where a well-connected governor can get just about anything he wants: cut-rate loans, sweetheart business deals, a plentiful supply of willing women, even that front-row seat in the choir.

Mr. Hale concedes that he arranged the loan to try to save Bill and Hillary's bacon. He says Mr. Clinton himself told him how to package the deal. He says the governor who became president told him: "But my name can't be connected to this in any way."

Nearly everybody in Little Rock expects Mr. Hale to go down. Indeed, he tried to enter a guilty plea in return for a lighter sentence just as soon as he was first indicted last year, but the district attorney, like nearly everyone else in official Arkansas, had a Clinton connection to protect and wouldn't talk to him. The word on the street in Little Rock is that the feds, including the special prosecutor, Robert Fiske, intend to make such an example of Mr. Hale that no one else will ever be tempted to tell the truth about Bill and Hillary Clinton.



Jim Leach

Through his lawyer, Randy Coleman, Mr. Hale served notice at a hearing yesterday that he intends to tell all at his trial — if he can. Mr. Clinton's name rang out in the federal court room 22 times during a 90-minute hearing as the lawyer argued that the original indictment was tainted because it was colored by a conflict of interest. The district attorney had worked in Mr. Clinton's campaigns, and her husband even now works for Jim Guy Tucker, the governor who succeeded Mr. Clinton and who is soaking wet in white water himself. (This story gets curiouser every day.)

When Mr. Hale tried to tell that district attorney what really happened, nobody would listen. Said Mr. Hale to the court: "Nobody in the office was very interested in hearing about our former governor, now president, and our governor."

The hearing continues today, and the trial is scheduled to begin March 28. The further word on the street in Little Rock is that Mr. Clinton's friends, which includes most of the Arkansas establishment, are eager to get the show on the road before the stink gets so loud that not even Congress can ignore it. The White House has only to get past Rep. Jim Leach and a hearing by the House Banking Committee a few days before the trial begins.

They know that Mr. Hale is the key to unraveling Whitewater. If Mr. Hale is subpoenaed to come to Washington to talk to Congress, the president's friends worry that what he could tell them about Bill and Hillary would send the Whitewater investigation spinning out of their control.

Who knows what a grand jury of decent men and women might do? But once David Hale is safely in a prison cell, maybe nobody will pay attention to him or to the documents he insists would convince even the most determined doubters. His credibility must be destroyed as quickly as possible (though a congressional committee might wonder why, if Mr. Hale is such a bum, the Clintons wanted to hang out with him and his money).

The new indictment was drawn so tightly that it will be impossible for Mr. Hale even to bring up Bill Clinton's name once the trial begins.

"You have to understand," says a Little Rock lawyer, an early family blue-blood (as we measure blue down home, where many of the early families are descended from card sharps and highwaymen and the comely lasses of the early Markham Street sporting houses), "it's not Bill Clinton folks here feel loyal to. A lot of folks here know that it'll be a thousand years, if then, before an Arkansas man ever again gets near the White House. This is the only turn we'll get, so we've got to close ranks around a man that most of us have contempt for."

David Hale shouldn't take it personal.

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bc-whitewater - a1908
(ATTN: National editors) (Includes optional trims)
Testimony Links Clinton to Whitewater-Related Case (Little Rock)
By Sara Fritz= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. A former Little Rock judge now charged with fraud invoked the name of then-Gov. Bill Clinton during a 1989 business deal to reassure a potential borrower who expressed concern that federally guaranteed funds were being used improperly, according to testimony heard Monday in a Whitewater-related case in federal court here.

``Son, the governor of Arkansas wouldn't be involved in this if we were doing anything illegal,'' a witness said he was told.

The testimony came in the case of former Little Rock Municipal Judge David Hale, who is accused of defrauding the government of hundreds of thousands of dollars by misusing a federal program to aid small business. Hale claims that his legal troubles began when he had a meeting with Clinton in which he says Clinton pressured him to make a $300,000 loan to Susan McDougal, a partner of the governor in the Whitewater real estate development.

A portion of the loan ended up in the Whitewater venture.

Clinton has denied that he had any such dealings with Hale.

The testimony referring to Clinton came from Gayland Westbrook of Monroe, La., who appeared during a hearing on pretrial motions in the Hale case. Westbrook recalled that he visited Hale during the summer of 1989 because he wanted to borrow $75,000 for a computer business from a government-backed small business investment corporation that Hale operated.

Westbrook, who was called to the stand by an attorney for one of Hale's co-defendants, said he had reason to suspect that Hale was violating the laws governing operation of a small business investment corporation.

Hale and two co-defendants are now charged with operating his government-backed small business investment corporation, Capital Management Services, in a manner that cost taxpayers $900,000.

When Westbrook asked Hale about apparent improprieties, Westbrook said, Hale invoked Clinton's name and said the governor would never be involved in illegalities. He said Hale did not elaborate on the remark.

Clinton, who served as governor of Arkansas until shortly before he became president in January 1993, has denied meeting with Hale or asking him to loan money to McDougal. He also has denied knowing that any such funds were improperly used to finance the Ozark real estate investment known as Whitewater Development Corp. in which Clinton, his wife and others were partners.

(Optional add end)

In another development, U.S. District Judge Stephen Reasoner, who will hear the fraud case against Hale and two co-defendants, agreed to allow Whitewater independent counsel Robert Fiske Jr. to prosecute Hale even though the case technically is unrelated to the Whitewater affair. The ruling was a victory for Hale, whose defense depends upon relating his actions to Clinton and Whitewater.

Fiske was appointed more than a month ago by Attorney General Janet Reno to investigate allegations that Clinton and his wife, Hillary, may have benefited improperly from their joint real estate investment with McDougal and her husband, James, owner of a failed savings and loan.

A separate grand jury will soon be impaneled in Little Rock to hear evidence presented by Fiske and his staff relating directly to Whitewater. Before Fiske took charge of the case, Hale tried without success to trade his testimony about Clinton for leniency in the fraud case.

While not conceding guilt in the fraud case, Hale asserts that his actions were necessary to save his small business investment corporation from insolvency after he made $700,000 in bad loans to the McDougals including the money that was diverted to Whitewater.

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3/21/94

Republicans want hearings on secret Madison briefing

By Paul Bedard
and Paul M. Rodriguez
THE WASHINGTON TIMES

A1

Congressional Republicans yesterday demanded hearings and ethics inquiries into a secret Treasury Department briefing of White House officials regarding the federal investigation of a failed Arkansas thrift linked to President Clinton.

Senate Minority Leader Bob Dole and Sen. Alfonse M. D'Amato called for a congressional investigation into Deputy Treasury Secretary Roger Altman's meeting with three senior Clinton aides early last month.

Mr. Altman, acting head of the Resolution Trust Corp., told the Senate Banking Committee last month he had briefed White House Counsel Bernard Nussbaum; Harold Ickes, deputy White House chief of staff; and Margaret Williams, first lady Hillary Rodham Clinton's chief of staff, on the RTC's investigation of Madison Guaranty Savings and Loan of Little Rock, Ark.

"I believe that his meeting was improper," Mr. D'Amato, New York Republican, told reporters yesterday.

Sen. Donald W. Riegle, Michigan Democrat and chairman of the Banking Committee, did not rule out a hearing in the matter. "I want to reserve judgment," he said yesterday.

Meanwhile, Rep. Jim Leach, Iowa Republican, demanded an investigation by the Office of Government Ethics into potential violations of federal ethics codes by Mr. Altman and Mr. Nussbaum.

White House spokeswoman Dee Dee Myers dismissed the GOP demands, saying that no wrongdoing occurred when Mr. Altman briefed Mr. Clinton's advisers on the status and difficulties of the RTC's investigation of Madison.

In his testimony, Mr. Altman said he had requested the briefing, which focused on how the inquiry was running up against a statute of limitations, which Congress subsequently extended.

Last week, Mr. Altman recused

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GOP

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himself from further issues relating to Madison. His temporary tenure as head of the S&L cleanup agency ends March 30.

"It is my judgment that the RTC has had its independence compromised and that it is no longer sufficient for Mr. Altman to recuse himself from the Madison case," Mr. Leach said in a letter to Mr. Nussbaum; Stephen Potts, director of the Office of Goverment Ethics; Treasury Department Counsel Jean Hanson; and RTC ethics officer Art Kusinski.

"It is all too apparent that his shadow looms large at the agency and that his immediate resignation from all responsibilities at the RTC would appear to be the only ethical option at this time," he added.

In his letter, Mr. Leach charged that Mr. Nussbaum and Mr. Altman flouted federal ethics laws.

"Mr. Altman's meeting with White House staff . . . is an ethical umbrage," he said. "Just as one party should not have requested the meeting, the other party should not have accepted it."

Madison was owned by James B. McDougal, a former business partner of the Clintons in the Whitewater Development Corp., a failed real estate venture in northern Arkansas.

Federal authorities shut down the thrift in 1989 at a cost of $50 million.

Special counsel Robert B. Fiske Jr. is investigating charges that Mr. McDougal diverted funds from Madison to Mr. Clinton's 1984 gubernatorial campaign and funneled Madison funds to Whitewater.

Yesterday, Mr. D'Amato said the Senate Banking Committee should investigate the Altman-Nussbaum meeting and see if other meetings took place. He is seeking all Madison-related White House correspondence, meeting notes, electronic mail and other documents on RTC briefings.

"This is meddling at the highest levels," he said of the RTC-White House meeting. "This smacks of damage-control operations for Whitewater."

Sen. Christopher S. Bond, Missouri Republican, said Mr. Altman's actions were driven by his personal ties to the Clintons. "The signal that is raised to me is that it's more important to uphold the bonds of friendship, not the law," he said.

Mr. Bond also derided White House efforts to cover up the meeting and others like it, noting that the Altman briefing was uncovered only during a heated Senate hearing on Thursday.

Mr. Dole echoed Mr. Bond's remarks: "The American people now know about Mr. Altman's unseemly meeting with White House officials precisely because Banking Committee Republicans used the opportunity of an RTC oversight hearing to ask Madison-related questions. If there had been no hearing, it's unlikely this information would have surfaced any time soon."

The Kansas Republican also expressed surprise that Democrats and the media have not demanded hearings into the Altman meeting at the White House.

"If these events had indeed occurred during the Reagan administration, the expressions of outrage in the press, and the clamor for congressional hearings, would have shot off the political Richter scale," the Senate GOP leader said.

Miss Myers said the issue is politically charged.

"There are a number of people who are trying to make it a political issue, who try to raise it, and I think we're not going to react every time they do," she said, refusing to explain why the White House feels the issue is political.

"We're not going to jump every time somebody tries to make a political issue out of Whitewater. We're cooperating fully with the investigation, and we have nothing more to say about it," she said.

Miss Myers defended the meeting. "Nothing inappropriate took place.," she said.

The Washington Times WEDNESDAY, MARCH 2, 1994

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Hale faces grilling about bogus loans

By Jerry Seper
THE WASHINGTON TIMES

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LITTLE ROCK, Ark. — The government's case against David L. Hale in the Whitewater-Madison investigation is expected to focus on bogus loans and fictitious notes involving "highly important political figures" in Arkansas, a lawyer said yesterday.

Randy Satterfield, attorney for co-defendant Eugene Fitzhugh in the pending Hale trial, made the comment during a pretrial hearing in U.S. District Court here.

"We would anticipate that as far as Hale's involvement in the allegations, there is evidence of bogus loans," Mr. Satterfield said in calling for his client to be tried separately.

"Fictitious notes establish, possibly, that there were loans funded that don't really exist," he said. "I anticipate that some of the bogus note-signers are going to testify that the money went to highly important political figures."

Mr. Satterfield did not elaborate and declined further comment after the court hearing, but he told U.S. Distirct Judge Stephen Reasoner that he did not want his client "swept in this Whitewater froth down the stream."

A Reagan appointee, Judge Reasoner agreed to separate Mr. Hale's trial, due to begin March 28, from those of the other two defen-

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dants. He ordered a June 20 trial for Mr. Fitzhugh and Charles Matthews.

"I don't particularly want to try a case twice, but at the same time, judicial economy must yield to a defendant's right to a fair trial," the judge said.

Mr. Hale is charged with conspiracy and making false statements to influence the Small Business Administration (SBA) in making the loans. Mr. Fitzhugh and Mr. Matthews are charged with conspiracy.

Judge Reasoner, in the second day of a pretrial hearing in the Hale case, also refused a motion by Mr. Hale's attorney, Randy Coleman, to delay the scheduled trial date and ordered prosecuters to give the defense a list of "unindicted co-conspirators" by tomorrow.

The co-conspirators are mentioned in the Hale indictment handed up Feb. 17, although it offers no names or descriptions. Judge Reasoner told the government to write "a brief description" about each of the unnamed individuals and their suspected involvement.

Mr. Hale, a former county municipal judge here, has accused President Clinton and James B. McDougal, owner of Madison Guaranty Savings and Loan Association, of pressuring him into approving an illegal $300,000 loan through his SBA-backed lending agency known as Capital-Management Services Inc. About a third of the 1986 loan ended up in Whitewater Development Corp., a real estate venture owned by Mr. Clinton, Hillary Rodham Clinton, Mr. McDougal and his then-wife, Susan.

The loan — issued to Mrs. McDougal — is one of the subjects of an ongoing federal investigation into the Whitewater-Madison affair by special counsel Robert B. Fiske Jr.

Attorney General Janet Reno assigned Mr. Fiske on Jan. 20 to investigate accusations of financial irregularities involving the Clintons, the McDougals, Madison and the Whitewater project.

Mr. McDougal, who purchased Madison in 1982, is believed to have diverted more than $250,000 in depositors' money, including funds used for Mr. Clinton's 1984 gubernatorial re-election campaign. Federal authorities suspect Mr. McDougal used overdrawn accounts and Madison-approved loans to pay Mr. Clinton's campaign expenses.

Mr. McDougal, a longtime associate of Mr. Clinton's, also is accused of diverting Madison money to Whitewater.

The Clintons and McDougals have denied any wrongdoing in connection with Whitewater and the now-defunct Madison, which was seized by federal regulators at a cost to taxpayers of $50 million.

Mr. Fiske, who emphasized the importance of yesterday's pretrial hearing in the Hale case by attending and participating in both sessions, has described Mr. Hale's pending testimony as "essential" to the Whitewater-Madison inquiry.

Assistant special counsel Denis J. McInerney, who will handle the Hale prosecution, has suggested that the government will attempt to compel Mr. Hale's testimony on the $300,000 loan during the pending trial. He said in a recent court filing that "in order to conduct the investigation into Hale's allegation regarding President Clinton, it is necessary to try this case."

In ordering the trial to begin on schedule, Judge Reasoner described changes from an initial Sept. 23 indictment against Mr. Hale and a Feb. 17 superseding indictment obtained by Mr. Fiske — which was challenged by Mr. Coleman — "as minor and technical."

Mr. Hale is accused of putting $800,000 into a Capital-Management account long enough to qualify for additional SBA money before diverting it to other accounts. The conspiracy and false-statement charges are derived from that effort to influence the SBA.



David L. Hale

Mr. Hale, a longtime Democratic Party activist in Arkansas who was appointed to the bench by Gov. Clinton, has pleaded not guilty.

The charges against Mr. Hale do not relate specifically to the Whitewater-Madison affair, but Mr. Hale's assertions that he conspired with Mr. Clinton and Mr. McDougal to defraud the SBA have made the case a major starting point for Mr. Fiske and his staff.

Mr. Clinton, through a spokesman, has said he does not recall meeting with Mr. Hale to arrange an SBA loan and "does not believe it occurred." Mr. McDougal said the assertion is "ridiculous."

The White House also has said that Mr. Hale fabricated the Clinton connection to Capital-Management in September 1993 "to save his butt" against pending federal charges.

A pretrial witnesss, Gayland Westbrook, however, testified Monday that Mr. Hale openly boasted to him in August 1989 that Mr. Clinton was actively involved with Capital-Management operation.

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A Whitewater Whitewash

By Alfonse D'Amato

The American people have a right to know the facts about the Whitewater/Madison affair. They also deserve to know that laws will be enforced impartially even if that enforcement may touch upon powerful public officials. Judging from the defensive reaction of Democratic political operatives in recent days, something may well be rotten in Little Rock—and Washington.

Some have claimed that Congress must sit by idly until special counsel Robert Fiske completes his investigation—an investigation that could take years. Their rationale: Congressional intervention would compromise the integrity of his investigation. On the contrary, I believe Congress must use its oversight capacity to protect the integrity of any Whitewater/Madison investigation.



Roger Altman

Last week, the Senate Banking Committee discovered a clear threat to the integrity of the Resolution Trust Corp.'s investigation—from top administration officials and political insiders.

The RTC's investigation may already have been compromised. In deeply disturbing testimony, Deputy Treasury Secretary Roger C. Altman confirmed that he and Treasury General Counsel Jean Hansen went to the White House to give a "heads-up" briefing. This briefing was attended by White House Counsel Bernard Nussbaum and an unnamed assistant, Deputy Chief of Staff Harold Ickes and the first lady's chief of staff, Margaret Williams.

Apparently, Mr. Altman believed that top White House legal and political advisers needed his guidance to understand "the legal and procedural framework within which the RTC was working" in connection with Madison. The White House now states falsely that Congress and the media also received such briefings. But at the time this group was meeting at the White House, I was speaking out on the Senate floor about the RTC's failure to provide our committee with any information about its activities on the Madison/Whitewater mess. And I have yet to encounter a reporter covering this story who says he was briefed by the RTC, let alone its acting CEO, Mr. Altman.

Mr. Altman's apparent lapse of judgment triggers serious questions. Why did Mr. Nussbaum, as White House counsel, need to be briefed on the RTC's investigation of Madison? This investigation does not touch upon the president in his official capacity.

And what about Mr. Ickes and Ms. Williams? Why would these political operatives need to be briefed by a top agency official on that agency's investigation into a matter that has nothing to do with the executive office of the president? Ms. Williams, a former Democratic National Committee operative, had earlier joined Mr. Nussbaum in searching Vincent Foster's office. Why was this briefing attended by the Treasury general counsel, Ms. Hansen, when it dealt with matters within the RTC's authority?

Mr. Altman has finally recused himself from the Whitewater/Madison matter. Unfortunately, that does not answer questions about the propriety of this meeting, and his recusal cannot ensure that a fair and impartial investigation will be conducted. These are legitimate issues that warrant a congressional hearing.

The RTC's deputy CEO, John Ryan, recently wrote to me that "it is standard operating procedure not to discuss any matter relating to the review of potential civil claims of any institution" and that it was "inappropriate" to provide any "specifics" or any "information relating to the status of our review. . . ." Apparently, different standards may apply to discussions with the White House.

Sen. D'Amato, of New York, is the ranking Republican on the Banking Committee.

THE WALL STREET JOURNAL WEDNESDAY, MARCH 2, 1994

* * *

The benign assessment by Mr. Kristol of Russia's strategic importance to global security is as startling and compelling a call for American isolationism and disengagement as we have seen since the days leading up to World War II. Suggesting that Russian nationalism has a limited imperialist dimension is to belittle what has been the only consistent thread through successive czarist, Communist and post-Communist regimes, namely ethnic and geopolitical imperialism. The process of containing Russian imperialism has been a major focus of Western diplomatic and strategic doctrine, since well before the first world war, through the Nazi-U.S.S.R. nonaggression pact, to Potsdam, the Berlin Airlift, NATO, the Cuban Missile Crisis and beyond.

The notion that Russian imperialism focuses exclusively on the "near abroad" would be a cruel irony to nations in the Baltic, Southeast Asia, the Mideast, Central Europe, Africa and the Americas that have either been directly subjugated by, or faced terrorism or threat from, Soviet client states, neighbors, proxies or funded insurgences.

The danger of this complacent view is that it not only feeds those who would destroy Western defense capacity in the U.S. and among her allies, (including liberals, socialists and neo-conservatives here in Canada), but it provides an intellectual underpinning for the kind of disengagement the historic NATO failure to extend full membership to Eastern European supplicants underlines.

As mother Russia stoutly indicates its determination to defend ethnic Russians in the C.I.S., as Russian units open fire on a Japanese fishing trawler in disputed Asian waters, as Russian scientists who believe Russia has not fully complied with gas warfare agreements are put on trial—it is a signal of serious and dangerous weakness to have denied NATO membership to nations that have embraced democracy and freedom at serious economic cost to their people and short-term commercial prospects. To deny them membership in an alliance that provided mutual protection from invasion is to admit that any fresh strain of Russian imperialism can take as a given the new democracies of Eastern Europe, their former client states, the Baltics and the old Soviet Union constituency.

The genius of the common stand taken by President Reagan, Prime Minister Thatcher, President Kohl and Prime Minister Mulroney—along with other NATO leadership—was that it erected clear hurdles, both strategic and economic to continued Soviet militarism. An enlightened and often inspired Soviet leadership made the right choices. The notion that removing all hurdles and diminishing Western preparedness would somehow inspire a Russian departure from all the forces of Russian history is not only counterintuitive, but well beyond the realm of any real world assessment of the forces now at play in Central Europe or Russian politics.

This is not about the Russian people, or any related demonology. The people of Russia are as humane, decent and nonaggressive as any; it is about the dynamics of Russian politics, the early and fragile stage of their democratic development and the need to find external enemies when internal dissatisfaction continues to mount.

Hugh Segal
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Rose Law Firm Probes Billings by Hubbell

Irregularities Alleged; Associate Attorney General Denies Wrongdoing

By Susan Schmidt
Washington Post Staff Writer

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The Rose Law Firm in Little Rock, Ark., has been investigating the billing practices of Associate Attorney General Webster L. Hubbell during the time he was a partner in the Rose firm. The investigation, which is being conducted by senior partners of the firm, focuses on whether Hubbell overbilled clients and used law firm money to pay for personal expenses, according to sources close to the firm.

The internal investigation began in the summer of 1992, and the firm is considering notifying the Resolution Trust Corp. and several other major clients of billing irregularities, according to a source familiar with the matter. The firm also has been weighing whether to inform the state bar association.

The RTC, the federal agency overseeing the savings and loan industry, was among the major clients Hubbell handled for Rose, one of Arkansas' oldest and most prestigious law firms. In addition to Hubbell, its former partners include First Lady Hillary Rodham Clinton and the late Vincent Foster, who served as deputy White House counsel before his suicide last July.

The pace of the Rose firm's inquiry has speeded up in recent weeks as the law firm was subpoenaed in a criminal investigation by special counsel Robert B. Fiske Jr., who is investigating President Clinton's Whitewater land venture and the failed Madison Guaranty Savings & Loan, a former Rose firm client.

Asked whether Hubbell had overbilled clients or used the firm's money to pay for personal expenses, Hubbell's attorney, John Nields, said, "No, that did not happen." He said he had no knowledge that Rose lawyers are considering reporting Hubbell's activities to the Arkansas Bar Association. "I certainly doubt it, but only the firm can answer that question," Nields said.

HUBBELL, From A1

Numerous senior lawyers at the firm contacted in recent days about the Hubbell investigation said they could not comment on it and referred all questions to managing partner Ronald M. Clark.

Clark declined repeated requests for interviews this week. When first asked about the investigation in an interview about three weeks ago, he said he would have no comment on any internal inquiry of Hubbell, but said "anything and everything" related to the special counsel's investigation is being examined internally.

Walter B. Stuart, who is acting as a spokesman for the Rose firm, said Monday that "I'm certainly not confirming or denying anything." He said the firm would not respond to inquiries concerning clients or internal matters. Stuart, a lawyer with the Houston firm of Vinson & Elkins, is representing the Rose firm in connection with the special counsel's ongoing investigation.

One source familiar with the inquiry said that Rose lawyers are investigating whether Hubbell wrote checks on an account used for client expenses to pay for his personal trips, credit card bills and other items. The firm has examined records going back to 1988, according to the source.

In some instances, Rose lawyers also are investigating whether Hubbell credited to himself hours of legal work performed by salaried associates, according to sources.

In one case involving a company owned by Hubbell's in-laws, Rose lawyers believe the firm lost about $500,000 because of a billing arrangement Hubbell made with his relatives. In that instance, Hubbell took on a contingency basis a complex patent infringement case on behalf of his in-laws. Rose lost the case, and belatedly discovered that Hubbell had agreed that the law firm would pay for expert witnesses on his in-law's behalf.

A lawsuit filed against the Rose firm in federal court in Washington in May, 1993 shows that a consultant had a written agreement with Hubbell providing that the Rose firm would pay his fees, amounting to $156,000. The Rose firm balked but was legally obligated to pay the bill, court records show.

Hubbell, a close friend and frequent golfing companion of the president, has taken control of a wide array of issues at Justice, including civil rights and other non-criminal matters. Some department officials have described him as the department's chief operating officer.

Hubbell generally is regarded as the department's chief point of contact with the White House, and was effectively running Justice as White House "liaison" in the months before Janet Reno's confirmation as attorney general last spring. He was confirmed to the No. 3 job there in May.

The Rose firm has been racked with turmoil in recent months, with many of the 60 attorneys there upset at being dragged into special counsel Robert B. Fiske Jr.'s investigation of Madison and Whitewater.

The subpoena recently served on the Rose firm in relation to Fiske's investigation sought materials on a wide array of individuals and entities, including Hubbell's father-in-law, Seth Ward, a former Madison employee and borrower. The subpoena also sought materials on P.O.M. Inc., a parking meter firm owned by the Ward family and represented by Hubbell. P.O.M. was also a Madison borrower. P.O.M. was the firm involved in the patent infringement case handled by Rose.

Hillary Clinton represented Madison before state regulators in the mid-1980s, a matter that figures into the special counsel's investigation. She and President Clinton were joint owners of Whitewater with Madison owner James B. McDougal and his former wife Susan.

Four of the Rose firm's top partners came to Washington with Clinton's election and because prominent figures in the administration. In addition to Hillary Clinton, Hubbell and Foster, former Rose managing partner William Kennedy is in the White House Counsel's office.

Fiske's wide-ranging probe also is examining Foster's suicide. On the morning of his death, U.S. Park Police records show that Foster received a call from C. Brantley Buck, the Rose firm's chief financial officer. It is not known what they discussed. Buck declined to return phone calls.

With the departure of four of its most senior partners, a new generation of lawyers has taken control of the Rose firm, most of them in their 30s and early 40s. Sources close to the firm say many of them are furious that their livelihoods and their firm's once-sterling reputation are being damaged by actions of the firm's old guard.

Rose partners have have been advised by the state's leading expert in professional ethics, University of Arkansas Prof. Harold Brill, that they have a duty to report any findings about Hubbell to the state bar association. Brill declined to comment yesterday.

Any grievances made to the bar association remain confidential unless it decides to take disciplinary action against a lawyer.

A source close to the firm said senior lawyers there have been agonizing over how to resolve the Hubbell investigation. But they have tried to find ways to handle the probe that cause the least amount of embarrassment to the Clinton administration and to Hubbell.

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With Flourish, White House Issues a 3-Strikes Crime Bill

By GWEN IFILL
Special to The New York Times

WASHINGTON, March 1 — The Clinton Administration today issued its version of a "three strikes and you're out" crime measure, which officials estimated would incarcerate only 200 to 300 prisoners a year for violent Federal offenses.

Despite that estimate by Administration officials, Vice President Al Gore said at a White House news conference that the proposal would make a "huge dent" in crime.

Under the measure a felon convicted of a violent Federal crime for the third time would be sentenced to life in prison. The White House is hoping that its proposal will replace two Republican-sponsored versions, which include a broader list of crimes in their definition of a "strike."

Like those versions, President Clinton's measure would count crimes like murder, kidnapping, rape and fire-related offenses. It would exclude nonviolent drug crimes or purse snatchings, which could be Federal offenses under certain circumstances.

Attorney General Janet Reno, appearing with Mr. Gore, said the effect

High hopes for a plan expected to affect 200 to 300 criminals a year.

of the Federal law would "not be overwhelming," but White House officials said it was never meant to be.

Seeking Ripple Effect

"The whole point is to get at that narrow band of serious repeat offenders for whom life sentences make sense," said Bruce Reed, a White House domestic policy adviser.

Representative Charles E. Schumer, the Brooklyn Democrat who will introduce the measure in the House, said its intention was to create a ripple effect for similar legislation at the state level, where some three-strike proposals have gained popularity. "The states are where the action is," he said.

But other officials repeated their belief that a three-strike measure was simplistic. Senator Joseph R. Biden Jr., the Delaware Democrat who heads the Senate Judiciary Committee, said states would learn the wrong lesson if they mimicked the Administration proposal.

"What is misleading is the context this is discussed in by everyone else, that this is an answer," Mr. Biden said of the proposal. "It should be put in context, which is, even if this passes, it doesn't mean a whole lot."

And some members of the House, including leaders of the Congressional Black Caucus, have said the anti-crime measure should focus on prevention instead of punishment. The three-strike proposals would be ineffective, they said.

"It's a knee-jerk political response to a serious problem," said Representative Charles B. Rangel, Democrat of Manhattan. "We ought to see what we can do to keep these people out of jail."

Clinton Maintains Distance

Other members of Congress have expressed uncertainty about the inflexibility of the mandatory life sentence required by the proposal, which they said could place an undue burden on the Federal prison system.

And even though Mr. Clinton voiced support for the concept in his State of the Union Message in January, he maintained his distance from the subject today.

He met at the White House with members of the House Budget Committee and with individual members of Congress about the economy and health care. He left the Administration's defense of the crime measure to his deputies, including Mr. Gore.

"All these people who say, well, three-strikes-and-you're-out is not a responsible approach, they're wrong," Mr. Gore said. "Because if you get the definition right, you can really get at the repeat offender."

Federal-State Programs

Mr. Gore and Ms. Reno announced a plan to create special Federal response teams to work with state and local governments on fighting crime. The program, which shuffles rather than creates Government programs, would require no new expenditures.

Mr. Gore and Ms. Reno were joined by several other law-enforcement officials who emphasized that most anti-crime initiatives must be addressed locally. But Ms. Reno said it was also necessary to improve coordination of Federal efforts, including those of the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco and Firearms and the Drug Enforcement Administration.

Ms. Reno said, "As a local prosecutor who watched the Federal Government do top-down for a long time and approached it from a fragmented point of view, watched D.E.A. do one thing and the F.B.I. do another, I saw missed opportunities."

While Ms. Reno focused on the crime response teams, it is the three-strikes provision that has attracted the attention of the public.

A PUSH TO DELAY A SUICIDE REPORT

Whitewater Prosecutor Fears Effect of Publicity About Clinton Aide's Death

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, March 1 — The independent counsel investigating the involvement of Bill and Hillary Clinton in an Arkansas real estate venture has asked a Federal judge to prevent the release of a police report on the apparent suicide of Vincent W. Foster Jr., a longtime friend of the Clintons and the deputy White House counsel at his death.

The independent counsel, Robert B. Fiske Jr., said in a letter introduced on Monday in Federal court in Manhattan that his investigation would include a detailed look at Mr. Foster's death last July. Mr. Fiske said that making the Park Police report public now would hinder his investigation because witnesses' testimony could be tainted by knowledge of the report.

Mr. Fiske's letter was offered in support of a Justice Department effort to delay release of the report, which The Wall Street Journal has sued to obtain.

"The investigation into the events surrounding Mr. Foster's death will be thorough and complete," Mr. Fiske wrote. He identified several prosecutors who will look into the Foster matter along with several agents from the Federal Bureau of Investigation.

In addition, he said, Mr. Foster's death will be examined by forensic experts and pathologists.

Mr. Foster, a boyhood friend of Mr. Clinton in Arkansas and a law partner of Hillary Rodham Clinton, committed suicide last July 20, according to the United States Park Police, which investigated the death because it occurred on Federal parkland. Mr. Foster, the police said, left his White House office in the early afternoon and drove to Fort Marcy, a small park across the Potomac in Virginia, and took his life with an antique pistol.

Complaints of Meddling

Law-enforcement officials who have seen the report said the Park Police had complained that Bernard W. Nussbaum, the White House counsel, repeatedly interfered with efforts to look into the circumstances of the death. Mr. Nussbaum has said that he did nothing improper.

While the finding of suicide has been largely accepted, the death has generated other speculation about Mr. Foster because he handled the Clintons' personal business. Mr. Nussbaum combed Mr. Foster's files in the presence of law-enforcement officials and deemed that none of the papers were relevant to their investigation of the death.

One file concerned the Whitewater Development Company, an Arkansas real estate concern in which the Clintons invested. Their partner in the venture was James B. McDougal, who also owned an Arkansas savings and loan association that failed, costing taxpayers about $60 million. Mr. Fiske is looking into whether money from Mr. McDougal's institution, Madison Guaranty, was improperly used to shore up Whitewater.

Mr. Nussbaum transferred the Whitewater file to the Clintons' personal lawyer, David Kendall, and it has since been turned over to the Justice Department under threat of a subpoena.

The White House faced another threat connected with Whitewater today as Senator Alfonse M. D'Amato of New York said the Senate Banking Committee should force some senior Administration officials to testify about a briefing of top White House aides on the Whitewater affair.

Senator D'Amato, the ranking Republican on the committee, said sworn testimony was needed because Administration officials had provided "a fairy-tale version" of the briefing by Roger C. Altman, the acting head of the Resolution Trust Company, the agency overseeing the Federal bailout of the savings and loan industry.

Mr. Altman acknowledged on Thursday under questioning from Republicans on the Senate Banking Committee that he had held a meeting on the matter in early February with three White House officials — Mr. Nussbaum; the deputy chief of staff, Harold M. Ickes, and Mrs. Clinton's chief of staff, Margaret A. Williams.

Mr. Altman, who is also the Deputy Treasury Secretary, said through a spokesman on Friday that he would recuse himself from any future involvement in the agency's investigation of Madison Guaranty.

The White House press secretary, Dee Dee Myers, today defended the White House briefing and said critics were trying to use the issue to hurt Mr. Clinton politically.

"There was nothing inappropriate about it," Ms. Myers said of the briefing. "We're not going to jump every time somebody tries to make a political issue out of Whitewater. A number of people are trying to make this a political issue."

Storm Threatens Launching

CAPE CANAVERAL, Fla., March 1 (AP) — A storm is threatening to delay the planned launching of the space shuttle Columbia on a two-week science mission, scheduled to start on Thursday at 8:54 A.M. A squall is expected to hit the Cape Canaveral area on Wednesday and leave high winds in its wake, said Ed Priselac, the weather officer for the launching.

3/3/94

Before Brady

The Brady Bill became the Brady Law partly on the notion that it would help keep guns out of the hands of dangerous criminals. The five-day waiting period portion of the law went into effect Monday. On Feb. 17, Marine Lance Corporal Rayna Ross went before a military tribunal in Quantico, Va., investigating her killing of her former lover after he broke into her apartment. But more important, the case is an object lesson in gun control and the other side of the Brady Law.

On June 12, 1993, Ms. Ross broke off a relationship with Corporal Anthony Goree. Mr. Goree, distraught over the breakup, began harassing her. The harassment led to many physical assaults, including one at knifepoint and one at gunpoint, the latter having occurred in Ms. Ross's office on base. Enough was enough, and Ms. Ross swore out a warrant for his arrest with the Prince William County, Va., police and made a formal complaint with the Marine Corps through her battalion command. Charges were filed against Mr. Goree in both jurisdictions and a warrant was issued for his arrest by civilian authorities.

The Marines got to him first, and under the Uniform Code of Military Justice he was charged with assault with a firearm and wrongful carrying of a firearm, both imprisonable offenses. Mr. Goree did a short stint in the Quantico brig, but at an administrative hearing was released from confinement and put on base restriction, with the stipulation that he avoid all contact with Ms. Ross.

Shortly after being put on restriction, Mr. Goree went AWOL. He subsequently stole a car and resumed his stalking, forcing Ms. Ross to flee her apartment with her one-year-old daughter and stay with friends, often moving to a different place every night.

On June 26, Ms. Ross decided to purchase a handgun. Fortunately for her, Prince William County has no five-day waiting period because it has an automated felon database, much like the system proposed by the National Rifle Association and much-maligned by supporters of the Brady Law. We say fortunately because three days later, Mr. Goree entered her apartment at 3 a.m. in a black jumpsuit, after having dismantled the sliding glass door on her patio.

According to Ms. Ross, he came at her with his Marine-issue bayonet. She shot him dead with the .380 semi-automatic handgun she had purchased just three days before. Under the Brady Law, she would have had to wait another two days before taking possession of the gun.

The Prince William County commonwealth's attorney passed on filing charges against her, saying, "It was justifiable homicide." Ms. Ross is now in the midst of resolving a Marine Corps inquiry into the case.

We suppose the law's defenders will say this is a rare incident or loophole. We wonder. People call the police all the time for protection from real threats, and invariably are told there's not much that can be done until an overt act is committed. The fact is that if the Brady Law had been in effect in Prince William County on June 26, 1993, it certainly would have kept a gun out of the hand of Rayna Ross. We suspect this story would have ended differently.

Asides

Who Is Webster Hubbell?-VI

The War of the Roses seems to have erupted in Arkansas, with the Washington Post reporting that the Rose Law Firm is investigating billing irregularities by former partner Webster Hubbell, now associate attorney general and (well, you know the rest). The Justice Department yesterday issued Mr. Hubbell's statement declaring, "I did not overbill the RTC or other clients," and assuring curiosity-seekers that the inquiry is "in no way out of the ordinary."

Over at the White House, Press Secretary Dee Dee Myers described President Clinton's reaction: "He stands by Webb." She said Chief of Staff Mack McLarty had questioned Hubbell about the report and "received assurances from Webb that it wasn't true and the President is satisfied by that."

Dominant Shareholder

In an era of rising federal taxes, the data bear watching. The Fund for Stockowners Rights, a group that pushes for more complete accounting of the tax burden on public corporations, has released its latest (1992) findings for those companies that are making such disclosures. They show that total taxes per share averaged 280% of earnings per share.

As civic and religious leaders dedicated to ending intolerance and discrimination in our society, we are responding to the Feb. 24 editorial-page article "Morality and Homosexuality," and to the justifications for unequal treatment offered by the authors, a group of Christian and Jewish scholars called the Ramsey Colloquium.

The authors are setting out to do far more than merely explain "the largely intuitive and pre-articulate anxiety of most Americans" toward gays. Indeed, rather than serving as dispassionate channels for the expression of popular discomfort, the authors, by allusions to the "vulnerabilities of the young" and the peril of "predatory behavior," invoke the vicious—and patently fallacious—stereotype of gays as child molesters and fan the flames of intolerance. Clearly, trafficking in such stereotypes, however contemptible and inaccurate, renders their conclusion that "certain discriminations are in fact necessary within society" more palatable.

But it is precisely from such stereotypes that much of the authors' argument in this case really devolves. While suggesting how "dehumanizing" it is that gays and lesbians have chosen "to define [them]selves by [their] desires alone," the authors reflect the same fixation with sexuality that they purport to condemn. They renounce the gay and lesbian political movement as a fundamentally selfish—and sexual—quest for "liberation from constraint" and for the bodily "fulfillment of desire."

Contrary to the authors' insinuation, the gay-rights agenda is really not the destruction of "fragile institutions" such as marriage or the elevation of homosexuality to "moral equivalent." Unfortunately, for political figures of the secular and religious right alike, arguments about moral equivalency have become a rhetorical disguise for rank intolerance and discrimination.

Instead, the push for equality on the basis of sexual orientation is a quest to enrich social institutions by ending the corrosive effect that intolerance and discrimination have upon them. Allowing previously excluded groups equal access to the enjoyment of certain institutions—the workplace, the home, and yes, our families, too—does not weaken any institution, but rather reaffirms its attractiveness and its claim to moral legitimacy.

Finally, we disagree with the authors that greater recognition and legal protection for gays and lesbians has already or will cause "damage . . . to our common life." It is only for those with a direct stake in the perpetuation of bigotry that the eradication of injustice can be construed to cause damage.

HANS JOHNSON
REP. LYNN WOOLSEY (D., Calif.)
REV. MEG RILEY
Unitarian Universalist Association
(Boston)
Washington

(The letter was also signed by 12 other men and women.)

* * *

It's refreshing to read an anti-gay piece that openly calls for discrimination instead of trying to hide behind a mendacious claim of opposing "special rights." But the Ramsey Colloquium's article uses a lot of space just to say "it's bad because it's bad because it's bad," which may be more honest, but is no more illuminating.

They claim gay relationships destroy the institution of marriage. Are they seriously thinking that heterosexuals would turn gay in droves given the opportunity? It's true that when one partner in a heterosexual marriage is gay, the marriage tends to fail, but that's a tiny fraction of all marriages. What do they mean here?

They also feel that discrimination is necessary to protect children. But child abuse by openly gay people is almost nonexistent. Abusers are either heterosexual or pretending to be, so more discrimination against us is unlikey to make a dent in that problem.

What exactly is the "gay agenda" they oppose? Our right to exist? Our right to have jobs?

GREGORY N. HULLENDER
Former Media Chair
Gay & Lesbian Alliance
Against Defamation
San Francisco Bay Area Chapter

Justice Official Is Questioned About Billings at Rose Firm

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 2 — Webster L. Hubbell, the Associate Attorney General, acknowledged today that his former law partners had questioned him about billings of clients, including the Resolution Trust Corporation, but said he had not committed any improprieties.

"This is in no way out of the ordinary," Mr. Hubbell said in a statement issued this afternoon. He was responding to a report today in The Washington Post that he was being investigated to determine whether he had overbilled clients and used money from the Little Rock, Ark., law firm to pay personal expenses.

Mr. Hubbell was a partner of the Rose Law Firm, which has received subpoenaes as part of a criminal investigation by Robert B. Fiske Jr., the special counsel who is investigating President Clinton's involvement in a failed Arkansas land venture.

Mr. Hubbell, the third-ranking official at the Justice Department, is a close friend and frequent golfing partner of Mr. Clinton. While at the Rose firm, he worked closely with Hillary Rodham Clinton, who was also a partner, and he was among several partners who left the firm after Mr. Clinton took office to accept jobs in the Administration.

Mr. Hubbell said the Rose firm "had some questions about billings on cases I worked on" and put those questions to him last week. He said that he had "responded promptly" and that he "did not overbill the Resolution Trust Corporation, the Federal agency in charge of disposing of failed savings and loans institutions, or any other clients.

'Perfectly Reasonable'

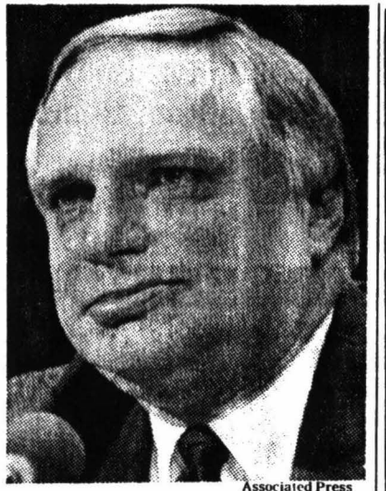
Mr. Hubbell said he had been asked earlier by the firm to provide documentation on "certain expenses paid for by the firm" and said he was in the process of helping the firm "locate such documentation."

In the statement, which he issued late this afternoon, Mr. Hubbell said he regarded the inquiry from the law firm as "perfectly reasonable" because he was the senior partner in the cases under question.

The law firm refused to comment about the case today.

The Associated Press, citing records it had obtained, said the trust corporation had rejected as excessive about $1,400 in billings from the Rose firm in a case involving First Savings of Arkansas, a case in which Mr. Hubbell was the supervising lawyer. The firm had said the total cost of its work would exceed $173,000.

The charges rejected by the Government agency included $490 for travel at excessive rates, $222 for "unauthorized fees," and $215 in "inappropriate attorney services," The A.P. said.



Associated Press

Webster L. Hubbell, the Associate Attorney General.

Votes From Sickbed Keep a Streak Alive

By KATHARINE SEELYE
Special to The New York Times

WASHINGTON, March 2 — Propped up on a hospital bed and surrounded by aides, a frail Representative William H. Natcher was wheeled onto the floor of the House of Representatives today so he could maintain his perfect voting record.

Mr. Natcher, the 84-year-old Kentucky Democrat who has not missed a vote in his 40 years in Congress, later had a private meeting with Speaker Thomas S. Foley. The question of Mr. Natcher's resigning "didn't come up," a high-ranking Congressional aide said.

The Congressman was wheeled from his office to the House floor and back twice for votes. After the second time, a Natcher aide, Mike Stephens, said the Congressman planned to continue voting as long as he could.

Mr. Natcher was taken to the Capitol by ambulance from Bethesda Naval Hospital, where he being treated for heart and intestinal ailments.

"He is obviously physically very fragile, but he is able to make the votes and is intellectually engaged," Mr. Stephens said as he shut the door to Mr. Natcher's office, which, as usual, was closed to reporters. Mr. Natcher, who has no press secretary, habitually avoids reporters; in fact, he issues only one news release a year, an update on his voting streak.

Extraordinary measures for a 40-year record.

'Is It Worth It?'

Shortly after the House went into session at 2 P.M., Mr. Natcher, clad in a loose-fitting gray flannel suit with oxygen tubes at his nose, was wheeled from his corner office to the nearby House chamber.

He clutched a small green voting card, which he handed to House officials, indicating his yes vote on a procedural matter. Mr. Foley spoke with him briefly, and Representative Fred Upton, Republican of Michigan, gave Mr. Natcher a personal letter before he was wheeled back to his office.

As the Congressman passed, a reporter shouted, "Mr. Natcher, is it worth it?" There was no reply.

Mr. Upton said his letter thanked Mr. Natcher for setting an example for him. "I have heard through the grapevine that he doesn't intend to resign," he added.

About two hours after the first vote, the process was repeated, with four uniformed personnel from the hospital wheeling Mr. Natcher into the chamber. This ballot brought his tally of consecutive votes to 18,399.

Later in the day, Mr. Foley slipped into Mr. Natcher's suite of offices, part of which has been converted into a hospital room, and met with Mr. Natcher for about five minutes. Mr. Natcher thanked the Speaker for suspending House business on Tuesday so that he would not be forced either to miss a vote or to forgo his medical treatment to keep his streak intact.

Crop Insurance Proposals Offer More Disaster Protection

By MICHAEL QUINT

The Department of Agriculture proposed changes in the Federal crop insurance program yesterday that would offer farmers more protection against disasters, but would prevent Congress from appropriating additional money for crop disaster relief.

The changes are aimed at ending the practice of many farmers who decline to buy insurance but collect the disaster payments routinely provided by Congress. A similar problem exists for the Federal flood insurance program, which is also considering big changes because too few homeowners buy the insurance.

Farmers who participat[illegible]ny Federal price-support or [illegible]o-grams would be required t[illegible]the proposal to participate in a new insurance program offering partial protection from catastrophic losses. Participation in other kinds of crop insurance, now used by about 40 percent to 50 percent of eligible farmers across the country, would remain voluntary, but there would be new incentives to encourage more farmers to buy extra insurance.

Savings of $750 Million

The new catastrophe coverage would cover 50 percent of a farmer's normal crop at 60 percent of the projected price of a crop. Farmers would pay fees of only $50 a crop in each county, up to $100 a farmer in each county. The catastrophe program would increase to about two million, from 700,000, the number of crop insurance policies with losses that are covered by the Federal Government.

Agriculture Secretary Mike Espy said the new program could save the Government about $750 million during five years and provide more protection for farmers. The savings would come from the elimination of Federal disaster spending on agriculture, which has averaged $1 billion a year since 1989. Government spending on the crop insurance program exceeds $700 million a year.

Representative Tim Johnson, a Democrat from South Dakota, said "the idea is to get out of crop disaster spending altogether and use some of that money to enhance the crop insurance program."

While the [illegible]rance program should resul[illegible] total spending than the current system of crop insurance and disaster payments, Mr. Johnson said the proposal would be troublesome because unlike insurance payments, disaster payments were not part of the Federal budget.

Mr. Johnson said the proposal must also include some means of stopping Congress from approving disaster payments in the future. One method, he said, would be to eliminate the emergency status of crop disaster payments, so that such spending would have to be paid for with higher taxes or reduced spending on some other programs.

Federal crop insurance is sold by private insurance companies, but their losses are covered by reinsurance agreements with the Federal Government.

THE NEW YORK TIMES, THURSDAY, MARCH 3, 1994

Essay

WILLIAM SAFIRE

Whitewater Cover-Up

In the history of modern political scandal, the cover-up is always worse than the crime.

That's the way it was in the Nixon White House about a stupid break-in at Watergate. That's how it is with Bush Justice's non-prosecution of Iraqgate, which Reno Justice should be ready to turn over for prosecution as soon as House and Senate conferees adjust the recently passed Independent Counsel Act. And that's how it will be when the Whitewatergate Federal-level cover-up of state-level wrongdoing is exposed in the years to come.

Take the most recent abuses of Federal power to smother an inquiry.

1. *The F.D.I.C. Fix.* Press reports forced the Federal Deposit Insurance Corporation to report on whether the Rose Law Firm (Hillary Clinton, Webster Hubbell, Vincent Foster & Co.) had disclosed its previous representation of the Madison S.&L. in its pitch to the F.D.I.C. for bailout business. Vince Foster's lengthy pitch letter, quoted in this space, evaded the legal requirement to disclose.

F.D.I.C. whitewashers noted that Mr. Hubbell, now de facto Attorney General, claimed to have "very generally," and never in writing, advised an F.D.I.C. attorney of "a small amount of work." That Government attorney directly disputed Hubbell's story; so did his supervisor. Even the Rose partner working on the account differs from the Hubbell version. Yet the Clinton F.D.I.C. chose to believe the profoundly conflicted Hubbell.

2. *The Resolution Trust-Treasury-White House cover-up.* Though "Keating Five" chairman Don Riegle blocks a needed Senate Banking inquiry, Senator Al D'Amato used a routine R.T.C. hearing to extract embarrassing news from Roger Altman, acting chief of the agency dealing with failed S.&L.'s.

Mr. Altman, apparently ready to cut corners to get Lloyd Bentsen's Treasury job, went to the White House to give advance information on the R.T.C.'s plans in Whitewatergate to the counsel, Bernard Nussbaum; Hillary's staff chief, Margaret Williams, and Harold Ickes Jr. (whose father resigned with the famous blast at Truman: "I am against government by crony").

The apple-polishing agency head was ordered to find out from R.T.C. counsel if his agency had to provide the same inside stuff on procedures to others. Dutifully, Altman went back and did, and the timing edge he had given the White House team was evident in the sly answer: "in due course." Pity those dopey outside parties at interest.

Having been forced by Senator D'Amato's questioning to spill the beans on currying White House favor, Altman belatedly recused himself from the case, pleading only "bad judgment." To this moment, nobody from the non-independent counsel's force has asked any of the meeting's participants what was said, or warned anybody not to destroy notes always taken at such meetings.

3. *The Stonewalling Speaker.* On a matter that cries out for Congressional oversight, why have there been no hearings in the House?

Because at a secret 8 A.M. meeting (apologies to Evans & Novak) of Democratic satraps and staff members on Feb. 2 in Speaker Tom Foley's offices, George "The Enforcer" Kundanis laid down the law: no Whitewater hearings anywhere under any circumstances. Erstwhile anti-corruption tigers like Henry Gonzalez, John Dingell and Jack Brooks have since cravenly obeyed party orders.

> Always worse than the crime.

But that put the Small Business Committee chairman, John LaFalce, a New York Democrat, in a bind; he had already requested papers from the Small Business Administration, which readily unloaded a newsworthy pile about the McDougals' loans unknown to the non-independent counsel. Mr. LaFalce had sent the hot documents to the General Accounting Office for analysis and is now frantically trying to get that agency of Congress *not* to give him a report.

As cover-ups go, Whitewatergate rates a B — less clumsy than Watergate but not as effective as Iraqgate, for which James Baker and William Barr deserve an A for befogging Janet's junior Javert at Justice, John Hogan.

Mr. Clinton's major contribution to the art of containing scandal is the negotiated subpoena, whereby damaging data is directed under a single rug. Smart maneuver; might take the Democrats past the '94 elections. □

Gettysburg Address Should Stay in Capital

To the Editor:

"The Right Address Is Gettysburg PA" (editorial, Feb. 21) urges that one original draft of Lincoln's Gettysburg Address be permanently placed at the national battlefield park. Since the Library of Congress has two drafts, you would have us yield to local interests, divide this national treasure and leave one draft on permanent display at Gettysburg.

This sounds Solomonic and simple. But it is not. The library was explicitly given custody of both drafts in 1916 by the descendants of John Hay, Lincoln's secretary; they are among the designated national treasures that we carefully preserve for future generations of Americans. We have lent one draft to the National Park Service at Gettysburg seasonally since 1979. Congress's Joint Committee on the Library, concerned about the fragile condition of the documents, has directed us to end this arrangement after this year.

Both drafts are on acid paper, which means that exhibition hastens their disintegration. This is happening at Gettysburg. If they are to be preserved as long as possible, the drafts should not be placed on prolonged display anywhere.

Our plan is to display our Lincoln drafts in rotation only one or two days each year in a state-of-the-art environmentally controlled case. Unless such care is exercised, the original Gettysburg Address drafts may no longer exist four score and seven years from now.

Almost 10 times as many Americans visit the Library of Congress as visit Gettysburg. The logical solution for permanent display at Gettysburg is to showcase a perfect facsimile, and let our preservation specialists tend and protect the two originals where they belong — in the nation's library.

JAMES H. BILLINGTON
Librarian of Congress
Washington, Feb. 23, 1994

Hubbell Confirms Questioning

By Michael Isikoff and Ruth Marcus
Washington Post Staff Writers

Associate Attorney General Webster L. Hubbell acknowledged yesterday that his former partners at the Rose Law Firm in Little Rock, Ark., recently questioned him about billings to clients and expenses charged to the firm, but denied he had done anything improper.

"I am not aware of any 'investigation' [by the Rose firm], and I have never overbilled a client," said Hubbell, a former partner in the firm that also included Hillary Rodham Clinton and former deputy White House counsel Vincent Foster Jr. When questioned last week by the firm about his billing practices, "I responded promptly," he said.

Hubbell also acknowledged he had earlier been asked for "backup documentation" on expenses charged to the firm and that he was "in the process of helping the firm locate such documentation." His statement did not say when he began preparing the documents.

The terse, five-paragraph statement was released by the Justice Department late yesterday in response to a Washington Post story that said the Rose firm has been conducting an internal investigation into Hubbell's billing practices. The firm also was considering reporting the matter to the Arkansas Bar and the Resolution Trust Corp., one of Hubbell's former clients that may have

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HUBBELL, From A1

been improperly billed, The Post reported.

The disclosure of a Rose firm inquiry into Hubbell set off high-level anxiety among Clinton administration officials and prompted two Republicans on the Senate Judiciary Committee to ask to reinspect the FBI's investigative file on Hubbell.

In a letter to Attorney General Janet Reno, Sens. Charles E. Grassley (R-Iowa) and Strom Thurmond (R-S.C.) noted the inquiry was reported to have begun in the summer of 1992, raising the question of "whether information of this nature was included in the file" prepared for Hubbell's confirmation hearings before the panel last year.

Committee sources said yesterday the panel was presented with an FBI "summary" of the bureau's findings on Hubbell, the standard practice when it is examining whether to confirm a prospective nominee. That summary contained no information about any questionable billings by Hubbell, but Grassley and Thurmond want to see the entire file to determine if the bureau ever uncovered such information or if members of the Rose firm may have misled agents during the Hubbell background check.

Controversy over Hubbell's practices, especially if they involved ethical questions, would be particularly serious for the administration because of his unique relationship with the First Family and his critical role at a Justice Department that has been buffeted by repeated controversies.

A long-time golfing buddy of President Clinton, Hubbell has been the third-ranking official at Justice and the department's chief point of contact with the White House. He also was one of a four senior Rose Law Firm partners, including Hillary Clinton and Foster, who came to Washington to serve in the new Democratic administration.

Administration officials sought to minimize any political fallout by depicting the matter as an internal dispute arising out of personal rivalries within the Rose firm.

The White House yesterday rushed to Hubbell's defense, saying he had assured Chief of Staff Thomas F. "Mack" McLarty—a long-time friend—that he had done nothing wrong. Hubbell's assertion of innocence satisfied McLarty and the president, and no further investigation was necessary, the White House said.

Clinton "stands by Webb, he believes him, he believes his denial," press secretary Dee Dee Myers said.

"For us to involve ourselves at this point any more deeply would not be normal or proper action. It could even be misinterpreted," McLarty said. Myers said no one at the White House—including the First Lady and Associate Counsel William Kennedy, Rose's former managing partner—were aware of the investigation until Tuesday, when The Post contacted the White House.

In his statement, Hubbell said it was "perfectly reasonable" for the law firm to direct its questions about his billing practices to him. "Issues frequently arise when a partner leaves a law firm which requires his participation and assistance," he said. "This is in no way out of the ordinary."

The Rose firm had no comment yesterday on the Hubbell investigation. RTC officials said they have not been contacted by the firm about possible irregular billings.

But knowledgable sources provided some new details about the inquiry. One source close to the firm said yesterday that tensions began to mount between Hubbell and Rose partners when Hubbell left for Washington and arranged to cash out his share of the firm, worth between $100,000 and $200,000.

The partners belatedly became aware that he had taken a complex antitrust and patent infringement case on behalf of P.O.M. Inc., a parking meter manufacturer owned by his in-laws, on a contingency fee basis, and had run up several hundred thousand dollars in travel and other expenses. Hubbell assured the firm, in writing, that his in-laws would take care of the expenses, but they did not, the source said.

In addition, the Rose firm began receiving unpaid bills from patent lawyers and expert witnesses Hubbell had hired to assist in the case. The Rose firm was obligated to pay those bills as well, according to sources and court documents.

At that point, during the first half of 1993, the firm began looking into other Hubbell billing arrangements, said the source. Another source close to the firm said that review was begun by the firm's accounting department and chief financial officer in the summer of 1992.

In mid-1993, several top partners confronted Hubbell with what they suspected were instances of overbillings to clients and use of firm funds for personal items such as trips and credit card payments, according to sources. The firm compared various documents, including records of billable hours and checks written on an account set up to advance lawyers payment of client expenses, sources said.

The firm has been seeking Hubbell's credit card receipts since mid-1993, said a source close to the inquiry.

At that point, the existence of the investigation became widely known among the firm's 28 partners. Several meetings followed in Little Rock and Washington, sources said.

Treasury Officials Told White House Status of S&L Probe

By Ann Devroy and Susan Schmidt
Washington Post Staff Writers A1

Treasury Department officials twice informed the White House last fall of the status of a federal investigation into an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton, administration officials said yesterday.

The discussions came just after the Resolution Trust Corp. had asked the Justice Department to investigate possible criminal activity in connection with the thrift, Madison Guaranty Savings & Loan. The RTC description of that activity included references to the Clintons as potential beneficiaries of illegal Madison actions, but did not accuse them of engaging in anything illegal.

RTC officials said yesterday that "criminal referrals" are confidential legal documents that are virtually never discussed with those named in them. Without acknowledging that the discussions were in any way improper, White House Chief of Staff Thomas F. "Mack" McLarty yesterday warned senior officials against contacts with officials from Treasury, the RTC or others outside the White House involved in the case. McLarty also has prepared a staff memo that is to be widely circulated that makes the same point.

The first discussion, in late September, was between White House counsel Bernard Nussbaum and Jean Hanson, general counsel at the Treasury Department, according to administration officials. An official said that Hanson told Nussbaum that the Clintons were named in the RTC action but not accused of any wrongdoing.

The second meeting, in mid to late October, was held in Nussbaum's office and included, besides him, White House communications director Mark Gearan, Bruce Lindsey, the Clinton senior aide who has been handling questions on the inquiry into Whitewater and Madison, and three Treasury officials: Hanson; Josh Steiner, now chief of staff to Treasury Secretary Lloyd Bentsen but then the top aide to Deputy Treasury Secretary Roger C. Altman; and Jack DeVore, then Bentsen's press secretary. Altman is the acting head of the RTC.

According to administration offi-

See WHITEWATER, A18, Col. 5

White House Was Told Status of U.S. Probe Into Madison Thrift

WHITEWATER, From A1

cials, Hanson was briefed by RTC senior vice president Bill Roelle on the status of the request for an investigation into Madison and the mention of both Clintons in those requests.

Lindsey said officials did not discuss the "substance" of the referrals, but talked about how to respond to reporters' inquiries about them.

That mid-to-late October meeting came four months before, and at a more sensitive moment in the Madison-Whitewater saga, than the briefing Altman revealed during a congressional hearing last week.

Altman set off a chorus of criticism from Republicans when he said that he had recently briefed White House officials on how the RTC, on which he serves as acting head in addition to his Treasury post, would proceed with potential civil claims growing out of the collapse of Madison.

Republicans criticized the Altman briefing as an inappropriate interference by the White House in a case that directly affects the Clintons. Altman later issued a statement saying he had shown "bad judgment" in conducting the briefing and would recuse himself from further involvement in Madison. Yesterday, Treasury officials said he was unaware of the earlier White House meetings.

Gearan yesterday confirmed the October meeting and the subject of the discussion, but denied that there was anything improper in the White House holding a discussion on the elements of an investigation involving the Clintons. Gearan said the session was convened at the suggestion of Treasury officials because of press inquiries over the criminal referrals, not as an effort to discover what the RTC was up to and what could be done about it.

"This was not an RTC meeting," Gearan said, describing it as a session to discuss press inquiries on the RTC investigation and what the White House and Treasury should or could say in response to reporters' queries.

Although none of the three Treasury officials have statutory jobs at the RTC, Hanson in particular was heavily involved in RTC business. Sources described her as overseeing many of the RTC's legal matters because the agency's general counsel post was vacant.

The RTC is an independent federal agency that is in charge of disposing of failed savings and loans and pursuing civil and criminal cases against those with responsibility for the failures. It is headed by a political appointee named by the president and confirmed by the Senate. Because the new administration has not nominated a new head of the RTC, Altman has been serving in that post, and Treasury's top political team—Steiner, Devore and Hanson—were involved in helping in those duties.

Officials yesterday confirmed an additional contact with the White House involving the RTC but dismissed it as inconsequential. Hillary Rodham Clinton's press secretary, Lisa Caputo, said yesterday that in late October or November she had received a call from "a RTC guy" whose name and job she does not recall who informed her of press inquiries there involving Whitewater and Madison.

The call amounts to the first direct contact between the White House and RTC employees on the controversy, but Caputo said she had not solicited any RTC information or called anyone there and was simply "returning a phone call made to me." She said she did not take action or brief anyone because of the call.

Clinton and his wife were joint owners of the Whitewater real estate venture with James McDougal, the owner of Madison, and McDougal's wife, Susan. Hillary Clinton represented Madison before state regulators in the mid-1980s before Madison's failure, estimated to have cost taxpayers more than $60 million. The special counsel is investigating whether Madison funds were diverted to Whitewater and other McDougal corporations.

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Hillary Clinton's Role in Lawsuit Appears Larger

By Howard Schneider
Washington Post Staff Writer

LITTLE ROCK, Ark.—Court documents on file here show that Hillary Clinton may have played a more extensive role than the federal government has described in pursuing a lawsuit against Clinton friend and campaign fund-raiser Daniel Lasater.

The Federal Deposit Insurance Corp. has said its review of Mrs. Clinton's involvement in the case showed that her name appeared on a document signed on behalf of her former Rose Law Firm partner Vincent Foster Jr. and billed their client, the Federal Savings and Loan Insurance Corp. (FSLIC), two hours for her work.

But a court file retrieved this week from the federal archives shows Hillary Clinton's name on four documents. She signed a 1987 court motion in which the Rose firm appealed to a federal judge to force Lasater's company to turn over documents. She also signed papers to amend the original complaint, to seek reduced damages against Lasater's company and to seek more time to investigate the Lasater firm.

The FSLIC suit originally sought $3.3 million from Lasater's company for its involvement with a failed Illinois thrift. The case against Lasater's United Capital Corp. was eventually settled for $200,000.

When ethical questions were raised in the press several weeks ago about Mrs. Clinton's work on the case and whether she disclosed a possible conflict to the government, FDIC officials quickly responded that her work was minimal. B. Michael Bennett, a former Rose lawyer who worked on the case, yesterday also described Mrs Clinton's work as "pinch-hitting," in which she signed documents researched and prepared by him and other lawyers. He said her connections to Lasater never came up.

But the government's hiring of the firm has come under intense criticism by Republican members of Congress.

At the insistence of the Senate Banking, Housing and Urban Affairs Committee, the FDIC is now reviewing its internal investigation of the government's use of the Rose firm in several cases, including the Lasater matter. Its investigation found no conflicts of interest that would have disqualified the firm.

Rep. Jim Leach (R-Iowa), who is investigating the Clintons' involvement in the Whitewater land venture and with the failed Madison Guaranty Savings and Loan, yesterday asked FDIC Inspector General James A. Renick to conduct an independent review of possible Rose conflicts.

"The [Lasater] suit was eventually settled for $200,000 or about six cents on the dollar. An independent review of this case seems merited," he said.

In the Lasater matter, Foster, the former deputy White House counsel, negotiated a sealed settlement with Lasater for his investment activities at the failed First American Savings and Loan of Oak Brook, Ill.

Lasater was a successful restaurateur turned securities dealer who helped finance President Clinton's political career. The ties between the two became controversial as Lasater accumulated fees for state bond work, then came under investigation for trafficking in cocaine, a crime for which he was sent to prison.

His firm was hired to trade Treasury bills by First American. In the lawsuit, however, the thrift alleged that one of Lasater's employees was using savings and loan funds to carry out what were, in effect, personal T-bill trades, resulting in more than $360,000 in losses.

The FDIC is also reexamining the possible conflicts in Associate Attorney General Webster L. Hubbell's representation of federal thrift officials in a lawsuit brought against the accountants for the failed Madison Guaranty Savings and Loan. Hubbell is a former Rose lawyer. Hubbell's father-in-law was a borrower and consultant to the thrift.

FDIC officials last month said the associate attorney general did not violate conflict-of-interest rules in the case, but agreed to investigate the matter more thoroughly after Republican members of Congress criticized the agency's initial findings as a "whitewash."

White House senior adviser Bruce Lindsey said in a recent interview that it did not represent a conflict for Hillary Clinton to have worked on the Lasater case just because Lasater was a family friend and political supporter. Lindsey also said that the $200,000 settlement did not seem low since alleged losses to the S&L were about $360,000.

Foster Suicide Ruling Is Reopened

Prosecutor Cites Questions on U.S. Park Police Investigation

Associated Press

The special prosecutor in the Whitewater case has decided to reexamine the conclusion that White House deputy counsel Vincent Foster committed suicide.

In court filings this week in New York, special counsel Robert B. Fiske Jr. revealed that "forensic experts and pathologists will be retained" as part of his Foster inquiry. They will make an independent analysis of the evidence that led U.S. Park Police to conclude Foster shot himself in a suburban park last July 20, a government official familiar with the probe said yesterday.

Fiske made the decision to reopen the issue because "questions have been raised in the press and elsewhere about whether it was a suicide," the official said, speaking on condition of anonymity.

Previously, Fiske had only said that "all the events" related to Foster's death would be reviewed.

News media reports have questioned some of the Park Police procedures and quoted paramedics who found the body as expressing some doubt about the suicide ruling. But there has been no change in the Park Police conclusion, which was supported by the FBI. Fiske's letter was filed Monday in U.S. District Court, where the Wall Street Journal is suing to force the Justice Department to release the Park Police report on Foster's death and an FBI report on the handling of a morosely worded note found later in his briefcase.

Fiske made clear that he would object to any release of either report while he is still investigating Foster's death.

Fiske has opened a Washington office, headed by Roderick C. Lankler, an experienced New York homicide prosecutor, to look into Foster's case. Fiske told the court Lankler is being assisted by two lawyers in Fiske's Little Rock, Ark., office and "a number of experienced FBI agents from the Washington area."

Witnesses already are being interviewed, Fiske wrote.

Hubbell, Responding to Article, Denies Overbilling Clients at Former Law Firm

By JEFFREY H. BIRNBAUM
And JOE DAVIDSON
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – Associate Attorney General Webster Hubbell denied reports that he overbilled clients, including a federal agency, as a private lawyer in Little Rock, Ark.

Responding to a published report that his former partners in the Rose Law Firm were investigating his billing practices, Mr. Hubbell said in a statement, "I am not aware of any 'investigation,' and I have never overbilled a client."

Mr. Hubbell said the law firm did ask last week "about billings on cases I worked on." He said one of these cases involved the Resolution Trust Corp., the federal savings-and-loan bailout agency. "I responded promptly," Mr. Hubbell said. "I did not overbill the RTC or any other clients."

He added that it isn't unusual for a firm to question a former partner about such billing issues once the partner leaves the firm. The firm wanted "backup documentation on certain expenses paid for by the firm," the Hubbell statement said. "I am in the process of helping the firm locate such documentation."

The report on Mr. Hubbell was published Wednesday in the Washington Post. The White House has been besieged with questions about activities of high officials, particularly Mr. Hubbell and Hillary Rodham Clinton, who formerly were partners at the Rose firm. The firm also has received attention because it represented Madison Guaranty Savings & Loan, a failed thrift once owned by James McDougal, a partner with the Clintons in Whitewater Development Co. Whitewater, a real estate venture in northern Arkansas, is now the subject of a wide-ranging criminal and civil investigation.

After receiving inquiries from the Post, White House Chief of Staff Thomas McLarty telephoned Mr. Hubbell late Tuesday afternoon to ask about the allegations concerning his billings and expenses. Mr. Hubbell vigorously denied doing anything wrong, according to White House Press Secretary Dee Dee Myers. Mr. McLarty passed word of Mr. Hubbell's denials to the president.

That telephone conversation satisfied Mr. Clinton, the White House said. "The president has full confidence in him," Ms. Myers said. "He stands by Webb. He believes him. He believes his denial." Ms. Myers also said neither William Kennedy, a White House lawyer who was the managing partner of the firm, nor Mrs. Clinton was aware of any inquiry by the firm into billings or of any problem that Mr. Hubbell might have had there.

The White House said it didn't call the Rose firm, the RTC or the Federal Deposit Insurance Corp. on the matter. Mr. Hubbell supervised work the firm did for both agencies. Ms. Myers said the White House considers the issue an internal matter for the law firm.

An assistant to Ronald M. Clark, the managing partner of the Rose Law Firm, said the firm would have no comment on the Post article.

According to the Post, senior partners of the Rose Law Firm are considering whether they should disclose the inquiry, which began in the summer of 1992, to the Arkansas Bar Association. The newspaper quoted one person who alleged that Mr. Hubbell charged clients at his own partner's rate for work done by salaried associates. Another person is quoted as saying that Mr. Hubbell might have paid for personal trips, credit-card bills and other items with money from an account used for client expenses.

At the Rose firm, Mr. Hubbell did "the usual litigation work," said Joseph Giroir, managing partner of the firm from 1975 until 1987. Any overbilling on Mr. Hubbell's part would "surprise me," he added. "I have no knowledge of it. My feeling is that Webb wouldn't have done that." Rose Law Firm rates, he said, range from $75 an hour for young associates to $250 for senior partners.

It is unclear which Rose clients might have been overbilled by Mr. Hubbell or the Rose firm. In his statement, Mr. Hubbell said the questions about his billings included a case in which he represented the RTC.

Rose represented the RTC on several matters, including a case that had been initiated by the FDIC against Madison Guaranty's accountants, Frost & Co. Mr. Hubbell was the lead attorney. The agency sought $10 million in actual damages and $10 million in punitive damages. Rose settled the case for $1 million and billed the government $400,000.

RTC officials said they weren't aware that the Rose Law Firm was investigating any overbilling on the case. FDIC officials also said they have heard no suggestions that Mr. Hubbell or the Rose firm overcharged their agency.

John DiPippa, an expert on legal ethics at the University of Arkansas Law School at Little Rock, said the Rose firm has a duty to report any serious violations of ethical rules to the Arkansas Bar Association. He defined "serious violation" as "casting doubt on the lawyer's fitness to practice."

"It depends on the nature of overbilling, the circumstances, the amount, the frequency," he said. "At some point, you pass the line from minor offense to serious offense. When you cross that line, lawyers have an obligation to report it."

Questions about Mr. Hubbell's integrity as a lawyer left the White House rattled. Among White House insiders, Mr. Hubbell is held in the highest regard, respected for his honesty. Mr. McLarty was said to be devastated Tuesday by the harsh spotlight on his old friend. Many of the president's

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Overbilling of Clients At Rose Law Firm Is Denied by Hubbell

Continued From Page A3

top aides met both formally and informally yesterday to discuss what to do. A problem for Mr. Hubbell, they knew, would be trouble for Bill Clinton.

Mr. Hubbell, a confidant of the president, has not advised him on Whitewater. In an interview earlier this week, Mr. Hubbell said he has had "no substantive discussions" with anyone in the White House about the Whitewater affair. He noted, however, that his written recusal on the Whitewater matter relates only to the Justice Department. "I'm not involved with anybody in Justice about it," he said.

Mr. Hubbell joined the department as a White House liaison without portfolio at the very beginning the administration, well before Attorney General Janet Reno was confirmed. As the associate attorney general, he oversees the civil side of the department.

—Bruce Ingersoll contributed to this article.

THE WALL STREET JOURNAL THURSDAY, MARCH 3, 1994

Whitewater: It's the Coverup More Than the Deal

Call it the Whitewater conundrum.

The so-called Whitewater scandal will embarrass President Clinton, cost him some extra taxes, and raise substantive ethical questions about the first lady's conduct as a private lawyer. But the betting here is that there won't be any political smoking gun or certainly any findings of criminality involving the first family.

If the current performance continues, however, it's less than a longshot bet that one or two White House aides could end up in the slammer—not for what happened in



Politics & People

By Albert R. Hunt

Arkansas in the 1980s, but for the way matters are being mishandled in Washington in the 1990s.

A Whitewater paranoia afflicts the Clinton White House team. They've underreacted at the wrong times—on supplying information and the need for an outside investigation. They've overreacted at others—elevating critics with intemperate attacks. The presidential counsel, Bernard Nussbaum, supposedly the ethical gatekeeper in the White House, has caused more problems than he's prevented. White House aides, acting in a careless, ad hoc campaign-type manner, seem oblivious to the risks they face if they're ever deposed on this issue.

The result is a textbook case of the common observation of defense lawyers: What's done after an alleged offense creates more culpability than the act itself.

Why? One answer is that there has been no one in this White House with the independent judgment or standing to walk into the Oval Office on something this sensitive and tell the president how badly it's being botched.

The other, probably more important, answer is Hillary Clinton. Previously, the first lady would take such bad news to her husband. But Whitewater may pose even more danger to her than to the president, and the bunker mentality at the White House is a reflection of Hillary Clinton.

Ms. Clinton is a strong woman who drives her ideological foes crazy; they resort to cheap shots like labeling her an ineffective left-wing zealot, or engaging in personal innuendo. In fact, she's a valuable public servant and perceptive political adviser. But not on the matters that affect her. Earlier this year, during the so-called Travelgate flap, White House aide John Podesta reportedly brought some bad news to the first lady and was slapped down. That story has spread, and it's produced a chilling reign of fear on Whitewater.

In reality, the charge by some Nixon apologists that this is reminiscent of Watergate is preposterous. Whitewater involves relatively small dealings a decade ago, when Bill Clinton was governor of Arkansas, in contrast to the wholesale criminal mugging of the Constitution that the Nixon White House committed.

A good example of Whitewater hyperbole is the 1985 Clinton fund-raiser hosted by Whitewater partner James McDougal that almost certainly involved some illicit funds. But it's extremely doubtful that Mr. Clinton would have known about that. An incumbent governor, especially in a state like Arkansas, has an easy time raising money legally, so there was no reason for him to countenance a shady fund-raiser. The incentive for the influence-peddling Mr. McDougal was to tell his friend, the governor, what a successful event it was, not to confess that actually it was tainted.

Unlike some other politicians, money never has been a driving force for Bill Clin- This was probably best put by the Washington Post's David Broder, who, on "Meet the Press" recently, said bluntly: "If you told me Bill Clinton was very horny or very ambitious, I would have no trouble believing it. If you told me he was money-hungry and was cutting corners for money, I'd say that doesn't sound like the Bill Clinton I know."

To be sure, when special counsel Robert Fiske is through, Whitewater will take a toll on the Clintons. There seems little doubt they will owe more taxes, although tax experts say it's unlikely that any fraud case could be brought against them. And Bill Clinton will be embarrassed by the highlighting of his terrible judgment in associating with the likes of James McDougal; Dan Lasater, an Arkansas investor and convicted cocaine distributor; and David Hale, a Clinton-appointed judge, now under indictment.



Hillary Clinton

But the most lethal blows are likely to be directed against the first lady who, unwisely, was involved in a triangular conflict of interest: As the spouse of the governor and a Whitewater investor, she was representing Mr. McDougal before state regulators. And she was the family decision-maker on investments.

Ms. Clinton and her friends are determined to resist this. It won't work. Earlier, White House sources say, she opposed a special counsel because there was no damage control plan but then clung to that view when it was no longer tenable. Similarly, a good counsel today would advise her that a Whitewater hit is inevitable, but it's not the end of the world.

Other Clinton operatives need to understand their campa tactics aren't working. When Paul Begala goes on CNN's "Inside Politics" and attacks Rep. Jim Leach—perhaps the most nonpartisan GOP member of the House—as a politically inspired hatchet man on this issue, it backfires. The same when other Clintonites go after New York Sen. Alfonse D'Amato.

(It's extraordinary that the Clinton tactics have provided even a semblance of credibility to this New York Republican on an ethics issue; given his sleazy past, Al D'Amato lecturing on ethics should be as credible as Louis Farrakhan preaching about tolerance.)

But the White House blunders on Whitewater are endless, the latest being Deputy Treasury Secretary and acting RTC head Roger Altman's meeting with three top White House aides to brief them on a Whitewater-related issue. Mr. Altman now has recused himself from any Whitewater dealings. But the briefing was attended by White House counsel Nussbaum—who not only shouldn't have participated, but should have stopped it before it started.

If Whitewater is to be only an embarrassment, rather than a cancer that eats away at the president's credibility, three steps are in order:

- Mr. Nussbaum, a nice man and an able Wall Street lawyer, must be replaced. He's out of his political depth at the White House.
- A small Whitewater team must be formed to deal with the intricacies of the scandal, as White House hopes that it would recede after the appointment of Mr. Fiske haven't materialized. A leading outside political adviser has suggested this; it should be headed by someone with no previous connections to the issue.
- Someone must tell Ms. Clinton that she's causing a lot of the problems, and a continuation threatens things far more important to her, such as her role in the health care deliberations. In short, the first lady needs a Hillary Clinton.

'Mole hunt' may have left CIA exposed

By Sam Vincent Meddis
USA TODAY

A CIA obsession with finding undercover "moles" at the height of the Cold War may have opened agency doors for the Soviet Union and spy suspect Aldrich Ames in the 1980s.

Intelligence experts say legendary CIA spycatcher James Jesus Angleton used such extreme means trying to unmask imagined Soviet double agents that counterspy efforts became dangerously lax after he was fired in 1974.

"There was so much resentment ... the pendulum swung too far in the other direction," says Robert Gates, CIA director in the Bush administration.

Ames and his wife, Rosario, were arrested last week and accused of spying for the Soviets and Russia in exchange for more than $2.5 million.

Not only were internal security measures reduced, critics say, but counterintelligence — uncovering enemy spies — gained an air of disrepute because of what many saw as Angleton's near-paranoid fears of double agents.

Even now, Angleton's reputation has a surrealistic quality. A gaunt, chain-smoking drinker with a passion for poetry and orchids, he acted as if the KGB were omnipotent.

CIA careers were ruined on what critics say was little more than Angleton's whim; operations against Moscow were paralyzed because of fears that they likely were penetrated.

David Wise, author of the book *Molehunt*, says events at the CIA under Angleton paralleled McCarthyism in American society. "Like a speeding locomotive with no brakes, the mole hunt had gathered a momentum of its own until, inevitably, it went completely off the rails," he writes.



AP

IN 1975: James Jesus Angleton testifies to the Senate Intelligence Committee. Experts say after the CIA spycatcher left in 1974, counterspy efforts became lax.

By the mid-1980s, when Ames was named to head the sensitive counterintelligence branch of the Soviet division, few others would have wanted the job because the staff was looked upon with such disdain, former CIA officers say.

Counterintelligence was not the way to climb the CIA ladder, and voicing suspicions about Soviet penetration of the agency was dubbed "sick think."

Despite the perception of the CIA as spy vs. spy, "they really downgraded counterintelligence in the later half of the '70s," says Richard Shultz, director of International Security Studies at Tufts University.

It was a situation that made the agency — especially counterintelligence — ripe for plucking by the Soviet KGB.

Prosecutors say Ames, 52, began spying for the Soviets and Russia in 1985.

Despite a lavish lifestyle led by Ames and his wife, it was not until 1991 that Ames aroused any suspicions.

He was reassigned to the CIA counternarcotics center as a precaution. But it wasn't until last year that investigators began focusing on Ames more closely. It was only about 10 months ago that enough evidence was gained to inform President Clinton about the case, authorities say.

Ames' lawyer says the government's case is built on speculation and innuendo. But investigators suspect up to 10 or more CIA contacts in former East bloc countries were executed after being compromised by Ames.

"Someone was asleep at the switch, clearly," says Charles Ameringer, a Pennsylvania State University historian and author of *U.S. Foreign Intelligence*.

There are vivid examples of past CIA laxity. In 1978, CIA officer William Kampiles was convicted of stealing a manual for a super-secret spy satellite and selling it to the Soviets.

Afterward, agency officials could not account for the whereabouts of other numbered copies of the manual.

Despite new attention focused on CIA security because of the Ames case, foreign policy specialist Mark Lowenthal of the Congressional Research Service says officials should be wary of re-imposing draconian security measures.

"What you want to avoid," he says, "is ending up back in the Angleton situation, where everybody's suspect, where you tie yourself up in knots and you're not able to do anything."

More oversight, training urged for lie detector tests

By Sam Vincent Meddis
USA TODAY

A special panel looking into security at the CIA is expected to tell Congress today that the agency should keep using polygraph tests — but with more oversight and training.

The recommendation comes in the wake of the Aldrich Ames spy case, which has raised doubts about overall agency security and the reliability of lie detector tests.

Ames, a career officer at the CIA, passed two polygraphs during the time he's accused of spying for the Soviet Union's KGB and the Russian intelligence service.

The CIA-Pentagon group, which has been studying security-related issues since May, says in a final report it is "concerned about over-reliance on the polygraph" by intelligence and defense agencies.

Other recommendations for the Senate Intelligence Committee include standardizing background investigations and better security coordination between the government and defense contractors.

Also Wednesday:

▶ The chairmen of the Senate and House intelligence committees introduced bills to slash the number of classified documents, keeping a tighter lid on the most sensitive ones.

"Our system is just inundated and overburdened with the classification of millions of documents every year," says Senate panel Chairman Dennis DeConcini, D-Ariz.

He estimates the government now classifies about 7 million documents annually.

▶ Prosecutors asked a federal court to seize more than $2.2 million in the Ameses' bank accounts — including "repatriating" money stashed in overseas accounts. Defense lawyers say they'll fight the request at a hearing set for March 10.

Clinton 'stands by' friend under probe

By Bill Nichols
USA TODAY

LITTLE ROCK — The White House said Wednesday that President Clinton stands by his long-time friend, Associate Attorney General Webster Hubbell, reportedly under investigation by his former law firm here.

The Washington Post reports the 174-year-old Rose Law Firm has been investigating possible overbilling and expense account irregularities by Hubbell since the summer of 1992.

Hubbell, in a statement, said he was questioned by his former firm last week about past billings but strongly denied any wrongdoing.

One of the cases, Hubbell said, involved the federal Resolution Trust Corp., which oversees the cleanup of failed savings and loans.

"I did not overbill the RTC or any other clients," Hubbell said. He said the Rose firm inquiry was "in no way out of the ordinary" and he was in the process of helping the firm locate documentation to back up his billings.



AP

HUBBELL: Questioned by law firm

Clinton "stands by Webb. He believes in him. He believes in his denial," said White House press secretary Dee Dee Myers. Myers said no one at the White House is pursuing the matter: "It's an internal Rose matter."

A spokeswoman for the Rose firm, once the professional home of first lady Hillary Rodham Clinton and the late White House aide Vincent Foster, declined comment.

If the chronology of the *Post* story is accurate, it raises questions about why Hillary Clinton or deputy White House counsel William Kennedy — once the firm's managing partner — did not mention the internal probe when Hubbell's nomination was being reviewed. Myers said neither were aware of the reported investigation until Tuesday.

Hubbell, because of his close relationship to the Clintons, has been a lightning rod for critics, as has the historic Rose firm, which has now been subpoenaed by special prosecutor Robert Fiske in his investigation into the Clintons' role in the failed Madison Guaranty Savings & Loan. Fiske's office, which also will look into the relationships of Rose lawyers, including Hubbell, with the RTC, declined comment.

Meanwhile, Fiske has asked that three government reports on Foster's death be kept secret until he has completed his own investigation, officials said. Fiske, in a letter made public by his office here, promised that his own investigation into the events surrounding Foster's death, considered a suicide, "will be thorough and complete."

THURSDAY, MARCH 3, 1994 • USA TODAY

Altman gets close to the heat

The Washington Times
THURSDAY, MARCH 3, 1994

By Frank J. Murray
THE WASHINGTON TIMES

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An intermittent 28-year friendship with President Clinton brought Deputy Treasury Secretary Roger Altman into the sub-Cabinet and now has put the multimillionaire investment banker on the firing line in the Whitewater-Madison case.

The men met at Georgetown University when both were school politicos, pursued the relationship from a distance for more than two decades, reconnected in 1989 when Hillary Rodham Clinton and Mr. Altman were on the board of the Children's Television Workshop, and joined forces in earnest in 1991 when Mr. Altman became a Clinton campaign adviser, fundraiser and contributor.

Mr. Clinton accepted an invitation to go fishing at Mr. Altman's Wyoming ranch after becoming the Democratic presidential nominee, and again in the first summer of his presidency, but found other fish to fry both times and didn't show up.

Mr. Altman, whom the Boston Globe has called "secretary in training," ran the 1993 White House budget-bill war room, arming its staff with morning bagels and coffee. He now is a

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ALTMAN

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key policy member of the health care team as well as a favorite of Mrs. Clinton's, according to many who know them.

"In many ways, he has the stature of a Cabinet member. He's very well trusted by the president and Mrs. Clinton," White House economic adviser Gene Sperling told the National Journal.

At a banking hearing Tuesday, Sen. Christopher S. Bond, Missouri Republican, raised questions about Mr. Altman's motives in briefing White House officials last week on the Madison-Whitewater affair. Mr. Altman is acting director of the Resolution Trust Corp., the agency investigating S&L failures, until March 31.

"The signal it raises with me is that it may be more important to uphold the bonds of friendship than to pursue the law," Mr. Bond said.

Two of the three White House officials at that briefing were among the group that removed case files from Deputy Counsel Vincent Foster's office the night of his suicide.

"That means the acting head not only calls to ask if he can come to brief the White House staff on the Madison case, but then goes to see the very people who tried to conceal potential evidence from the investigators," Mr. Bond said.

Mr. Bond also questioned Mr. Altman's role in administration legislative proposals that would remove oversight over Arkansas' largest bank holding corporation, the Worthen Banking Corp., which the senator said helped the Clinton campaign with a $3.5 million infusion at a time of dire cash shortages.

"At a time when a special prosecutor is investigating the ties between politics and banking in Arkansas, I'm concerned about an administration proposal to increase the politicization of federal regulation, especially when its friends in Arkansas stand to benefit," Mr. Bond said.

Mr. Bradbury said his bank took no stand and contacted no federal official about the provision, which he said would affect all similar companies. He said the American Bankers Association board of directors, of which he is a member, unanimously voted to oppose the administration position and maintain Federal Reserve oversight.

He said the Clinton campaign's line of credit with Worthen was fully secured, was legal under federal campaign laws and was in force for five months. He said it was not "a bailout" at some emergency point as Mr. Bond charged.

Asked why Mr. Bond focused on Worthen if all bank holding companies would be affected, aide David Ayres said, "He's just raising the question given the ties between the Worthen Banking Corporation and the Clinton administration."

The Washington Times reported Jan. 4 that Mr. Altman opposed a bill to extend the statute of limitations and allow the Resolution Trust Corp. to file civil lawsuits to recover money lost by failed savings and loans, including the Madison Guaranty Savings and Loan of Little Rock, Ark.

Mr. Altman did not respond to calls yesterday, but a spokesman said he has always required the RTC to handle the Madison case as it would any other.

Mr. Altman has told journalists that his network of contacts in the White House is "certainly a plus" because he can be Secretary Lloyd Bentsen's eyes and ears in the presidential mansion.

Mr. Altman was a government student in Georgetown's class of 1969, one year behind Mr. Clinton, who was in the School of Foreign Service. Just as Mr. Clinton lost his bid to be 1967-68 Student Council president, Mr. Altman lost the following election.

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Hubbell denies Rose firm probe

White House surprised by billing questions

By Michael Hedges
and Paul Bedard
THE WASHINGTON TIMES

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Associate Attorney General Webster L. Hubbell, a former law partner of Hillary Rodham Clinton's in Little Rock, yesterday denied a report he is being investigated for overbilling clients.

"I am not aware of any investigation, and I have never overbilled a client," said Mr. Hubbell, former managing partner of the Rose Law Firm, which has been entangled in the Whitewater-Madison affair.

"The facts are that my former law firm had some questions about billings on cases I worked on which they put to me last week," he said, responding to a report in The Washington Post yesterday that Mr. Hubbell is being investigated by his former firm. He said the questions were "in no way out of the ordinary."

The Hubbell statement followed a frantic effort by the White House to explain that President Clinton and his aides had no knowledge of the internal Rose probe.

White House spokeswoman Dee Dee Myers repeatedly told reporters during a briefing that Mr. Hubbell, a close friend of the Clintons' and a regular golfing partner of the president's, would have a statement. But more than two hours later the Justice Department said it had no knowledge that a statement would be issued.

A five-paragraph statement was issued late in the afternoon.

Miss Myers broke with the practice of refusing to talk about probes of officials and explained in detail what the White House knew of the investigation.

When the first question was raised at yesterday's White House briefing, Miss Myers gave a detailed history of the administration's research of Mr. Hubbell's past and the actions White House officials took to check the accusations against him.

Miss Myers said that after The Post called to get a White House comment on its report, Chief of Staff Thomas F. "Mack" McLarty, another of Mr. Clinton's Arkansas associates, was informed and called Mr. Hubbell.

"I think it's appropriate that he be the one to make the inquiry. He did. He spoke to Webb about it, and again Webb told [him] ... that it just didn't happen, it wasn't true," Miss Myers said.

"What Mack was looking for

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The Washington Times
THURSDAY, MARCH 3, 1994

HUBBELL

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was an assurance that the charges were not true," she said. "Webb gave him that."

Mr. Clinton "stands stands by Webb. He believes him. He believes his denial," Miss Myers said.

Mr. Hubbell, who was a leading figure in Arkansas legal circles with Mrs. Clinton and another Rose partner, former White House Deputy Counsel Vincent W. Foster Jr., has been linked to the burgeoning Whitewater-Madison case.

A recent subpoena by special counsel Robert B. Fiske Jr. sought material on Mr. Hubbell's father-in-law, Seth Ward, who borrowed heavily from Madison Guaranty Savings and Loan Association and was an employee of a Madison subsidiary, Madison Financial Corp.

Madison Guaranty, owned by James B. McDougal, was seized by federal regulators at a cost of $50 million. Mr. McDougal and his wife, Susan, were partners with the Clintons in Arkansas' Whitewater Development Corp.

Mr. Hubbell handled a court case for the Federal Deposit Insurance Corp. (FDIC) against Madison's auditors, Frost and Co., in which the government settled for much less than it sought and less than the firm was insured for. Mrs. Clinton and Rose had represented Madison in efforts to block its closure by Arkansas regulators who were under the dominion of Gov. Bill Clinton.

Rep. Jim Leach, Iowa Republican, yesterday called on the Federal Deposit Insurance Corp. to investigate charges of conflict of interest by Mr. Hubbell for representing the government in the Frost suit. Mr. Leach, the ranking Republican on the House Banking Committee, is conducting a GOP investigation of the Whitewater-Madison affair.

Yesterday's reports said Rose lawyers are investigating whether Mr. Hubbell wrote checks on a client account to pay for personal trips and credit-card bills and whether he credited to himself hours worked by salaried associates.

"The firm had asked me earlier for backup documentation on certain expenses paid for by the firm. I am in the process of helping the firm locate such documentation," Mr. Hubbell's statement said.

White House officials said the internal Rose investigation apparently never came up during the extensive FBI background check of Mr. Hubbell or his vetting by White House Counsel Bernard W. Nussbaum. Mr. Nussbaum's associate counsel, William Kennedy, a former managing partner of the Rose firm, was not involved in the review, Miss Myers said.

Mr. Nussbaum led a search of Mr. Foster's office that removed Whitewater documents three hours after his body was found in a park in Langley.

Miss Myers offered differing stories on the White House acknowledgment of the Rose review.

First she said: "What we know about it is what was in The Post this morning: investigation. That's something that you would have to talk to the Rose firm" about.

But at the end of the briefing, she said: "It is something that is being handled by the Rose firm. ... They're reviewing this internally. Nobody's accused him of doing anything wrong."

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Mr. Hubbell, the firm and Footnote 3

Associate Attorney General and presidential golfing buddy Webster Hubbell has some explaining to do, and he is not the only one. The Washington Post reported yesterday that the Rose Law Firm, of which he is a former partner, has been investigating since summer 1992 irregularities in his billing and expense reports. Among several examples, The Post describes an instance in which Mr. Hubbell agreed to represent his in-laws on a contingency-fee basis, then lost and ended up sticking the firm with a $500,000 tab, including payments to expert witnesses. And the firm is reportedly looking into whether he "credited to himself hours of legal work performed by salaried associates."

In response to The Post, Mr. Hubbell issued a statement yesterday that he has not been under investigation since 1992 and that he has not engaged in overbilling. But that was the first paragraph. In the second, he admitted that the firm had questioned him last week about his billings to the Resolution Trust Corporation, which took over for the Federal Deposit Insurance Corporation in settling the affairs of failed savings and loans in 1989.

The possibilities here are several, and they mostly all stink:

■ If Mr. Hubbell has been under investigation since summer 1992, as The Post attributes to "sources close to the firm," that is curious indeed. Summer 1992? During the presidential campaign, in short. Now, wasn't the managing partner of the Rose Law Firm at that time William Kennedy III, who went on to the White House counsel's office? Wouldn't the managing partner know about such an investigation? And if Mr. Kennedy did know, didn't he think it might be a good idea to get all the questions about fraudulent billing answered sometime before appointing the person under investigation to the No. 3 law enforcement job in the United States?

■ Oh, last week, you say, Mr. Hubbell? That would be shortly after the release of the FDIC report exonerating the Rose firm of conflict of interest in its representation of the federal government as conservator of the failed Madison Guaranty Savings and Loan — about the time the FDIC, at a Senate banking committee hearing, was agreeing to look further into the matter. At the time of the Rose representation, Mr. Hubbell's father-in-law had won a $470,000 judgment against Madison that the U.S. government was appealing. (In addition, Hillary Rodham Clinton had previously represented Madison in a failed stock offering.)

Footnote 3 of the FDIC report makes very interesting reading in this context: "The [FDIC] staff attorney's [1989] letter also noted that the primary attorney in the case was Richard Donovan, not Mr. Hubbell, and stated that Mr. Hubbell was involved only in an indirect way. Based on discussions with the staff attorney, this was meant to indicate that Mr. Donovan, as the junior partner on the case, would do most of the day-to-day work. Based on the fee bills for the case, Mr. Hubbell performed a significant amount of work."

Now, the Rose Law Firm is subject to possible sanctions if the FDIC reverses itself and decides that Mr. Hubbell's various entanglements constitute a conflict of interest. If he wasn't really much involved in the Madison-related litigation, that diminishes the likelihood of a finding of conflict. This has perhaps occurred to people currently working at the firm and worried about its survival — thus perhaps their interest last week in whether Mr. Hubbell was billing for work done by others (Mr. Donovan, maybe?).

This puts Mr. Hubbell in an interesting position. If he did do the work he billed for, the conflict of interest looms large. If he didn't, the bogus billing looms large.

That's an odd position for the nation's No. 3 law enforcement official, particularly in light of the fact that the nation hasn't got a No. 2 and that the "management style" of No. 1 is such that Mr. Hubbell is often described as the Justice Department's chief operating officer. We don't need this.

■ And, by the way, all these months into the Whitewater affair, it was a great joy to see The Post publish something to advance the story.

The state of the health debate

The Clinton team may want to rethink its current strategy of taking to the hustings to promote the first lady's health care plan. The more people learn about the Clinton bill — with its humongous tax hikes, lumbering new bureaucracies and dangerous reliance on price-fixing — the less they like it.

This is lesson of the most recent data from a Washington Post-ABC News poll. Since October of last year, the number of people saying they knew almost nothing about the Clinton plan's details has dropped from 30 percent to 14 percent. Not only has the number who say they have some middling knowledge increased — from 53 percent to 62 percent — so too have the ranks of those who say they know "a lot" about the plan —up to 24 percent from 17 percent. Not coincidentally, over the same period, support for the White House health boondoggle has waned. For the first time, more of those polled disapprove of ClintonCare than approve. Hitting the campaign trail, given this relationship between information and approval, may not be such a good idea for the First Couple.

Those in the administration who console themselves that the erosion of public support has been the fault of Harry and Louise, the infamous skeptics in the Health Insurance Association of America ad campaign, may make the mistake of thinking that the White House just needs to drown out the opposition with a barrage of ads of its own. This would be a mistake because the biggest shift in opinion against the Clinton plan has taken place in the last month, a time during which the pro-Clinton forces launched their own advertising.

The American Association of Retired Persons, big labor and the League of Women Voters all made significant media buys, but this counteroffensive seems to have done Mr. and Mrs. Clinton no good. There has been general public disinterest, and in some quarters, downright dissatisfaction. The League of Women Voters has been criticized, on this page, in "Dear Colleague" letters among members of Congress and now in the New Republic as well, for making dubious claims in its ads. The AARP has pulled its ads, having found that members were not particularly happy with the spots. The group is now attempting to do some grassroots damage control.

What is driving public opinion about the Clinton bill is knowledge. When people learn that the worst aspects of the HMO approach are about to become the underpinning of the federal system, they object. This objection is based on their own experiences and their own understanding of the crucial need to get the health care one needs when one needs it.

This is the death knell for the president's approach because neither he nor his legions of spin doctors have any way to put a spin on that kind of knowledge. At one point, it was to Mr. Clinton's advantage that people cared about health care — it allowed him to make a potent campaign issue out of medicine. But now public attention is working against him — people care enough about their health care to attach more scrutiny to it than to any other major issue. The polls reflect that. Back in October, 64 percent who were asked said they thought the quality of their care would suffer under the Clinton plan. That number has shot up to 80 percent now. It is hard to imagine the success of a health bill that four out of five people think will make their medical treatment suffer.

Already the key provisions of the president's plan are being jettisoned. It is generally accepted on both sides of the aisle on Capitol Hill that the Health Alliances — the vast, mandatory regional insurance purchasing groups that are the cornerstone of ClintonCare — are history. As one House Republican leadership aide puts it: "Stick a fork in the alliances — they're done."

Next to go in the face of increasing public wariness will be the plan's rationing provisions, the spending caps. Without these, the tax consequences will be frightening, which will likely spell the end of required employer insurance payments as people worry about the tax threat to their jobs.

It seems that lively debate on the Clinton plan's merits is the surest route to the plan's defeat.

The Washington Times
THURSDAY, MARCH 3, 1994

A top Justice aide denies cheating on billing at ex-law firm

By John Aloysius Farrell
GLOBE STAFF

WASHINGTON – Associate Attorney General Webster Hubbell, a golfing buddy of President Clinton and a former law partner of Hillary Rodham Clinton, denied yesterday that he cheated his colleagues, former clients or US taxpayers when serving as a senior lawyer in Little Rock's Rose law firm.

Clinton rallied to the defense of his friend, the Number 3 official in the Justice Department and a figure of controversy in the so-called Whitewater affair.

White House Press Secretary Dee Dee Myers said that Clinton "stands by Webb. He believes him."

The Washington Post, quoting unnamed sources "close to the firm," said that since the summer of 1992 Hubbell has been under investigation by his former colleagues in the Rose firm in Arkansas for allegedly overbilling clients and spending the firm's money on personal expenses.

In a statement issued last night, Hubbell denied any wrongdoing, but acknowledged a dispute with his former law firm over billings that in one case involve the Resolution Trust Corporation, a public corporation set up to recover federal losses in the savings and loan crisis.

According to the Post, the law firm is generally trying to determine if Hubbell wrote checks to pay for personal trips and bills on an account for client expenses. The Rose firm is also looking to see if Hubbell claimed credit for hours of work performed by salaried associates, the Post said.

Hubbell is a key player in the Whitewater saga. His father-in-law, Seth Ward, had a tangled business relationship with James McDougal, the owner of Madison Guaranty, an Arkansas savings and loan. McDougal was a partner with the Clintons in the Whitewater land development. The Rose firm also represented Madison.

Republican critics have charged that Hubbell failed to disclose such ties when the Rose firm was hired by federal banking regulators to try to recover money lost by Madison and other thrifts in the savings and loans crisis of the 1980s. A preliminary investigation by the Federal Deposit Insurance Corp. determined that there was no conflict-of-interest, but that conclusion is being reviewed by the FDIC's inspector general.

In his statement Hubbell said, "I am not aware of any 'investigation' and I have never overbilled a client."

Hubbell acknowledged, however, that he was engaged in the dispute about billings with his former law firm, and that the dispute extended to a case involving the RTC. He insisted, "I did not overbill the RTC or any other clients."

"Issues frequently arise when a partner leaves a law firm which require his participation and assistance," Hubbell said. "This is in no way out of the ordinary."

Myers said that the White House had conducted no independent investigation into the Post charges, but was satisfied with Hubbell's explanation, given in a telephone conversation Tuesday afternoon with Chief of Staff Thomas McLarty, another presidential associate from Arkansas.

"Mack McLarty is the chief-of-staff. I think it's appropriate that he be the one to make the inquiry. He did. He spoke to Webb about it. And Webb told him the same thing that Webb's lawyer told the Post, which was that it just didn't happen," Myers said.

Myers said she did not know if the reported allegations had come up during the FBI background check that preceded Hubbell's confirmation as associate attorney general. She said that neither Mrs. Clinton, nor Associate White House Counsel William H. Kennedy, who both were partners with Hubbell in the Rose firm, was aware of such complaints before Tuesday. Myers noted that Hubbell had passed White House scrutiny and a background investigation by the FBI before his Senate confirmation.

Hubbell is the chief point of contact between the Justice Department and the White House, sources said, surpassing Attorney General Janet Reno in access and influence when it comes to the president's staff.

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WASHINGTON IN BRIEF

Hiring pathologists may end doubts over Foster suicide

By Ernie Freda
STAFF WRITER

Whitewater independent counsel **Robert Fiske** has decided to re-examine the conclusion that White House deputy counsel **Vincent Foster** committed suicide in July.

Fiske will hire pathologists to review the evidence. Fiske revealed in court filings that "forensic experts and pathologists will be retained" to make an independent analysis of the evidence. Foster's body was found in a northern Virginia park, and U.S. Park Police officers concluded Foster shot himself.

The Associated Press quoted an unnamed government official as saying Fiske is reopening the issue because "questions have been raised in the press and elsewhere about whether it was a suicide." Previously, Fiske had said only that he would review "all the events" related to Foster's death.

DID HE VOTE? NATCH! He said he'd be back — and he was. Rep. **William Natcher** (D-Ky.), 84, was wheeled onto the House floor on a gurney to cast his 18,398th vote. He hasn't missed one since coming to Congress 40 years ago. House leaders called off legislative business Tuesday because Natcher couldn't leave Bethesda Naval Hospital. But aides wheeled him onto the floor Wednesday morning — looking feeble, thin and pale — dressed in a suit and tie and hooked up to an oxygen tank and intravenous tube. He was attended by four members of the hospital staff, all in Navy uniform. Natcher voted first on a routine procedural matter, and later cast a negative vote on an amendment to the Clinton administration's education bill. On the way out, Natcher shook hands with House Speaker **Thomas Foley** (D-Wash.)

HIGH SCORE; NO CIGAR: Rep. **Mac Collins** (R-Ga.) wasn't listed on the "honor roll" of lawmakers doing the most to hold down the budget deficit even though he had the highest rating — 94 percent — of anyone in the Georgia delegation, senators included. Blame his party affiliation. Collins failed to make the cut because the rating was done on a curve for each party, and Republicans had higher scores. The bipartisan Concord Coalition cited the top 15 Republicans and Democrats in the House for special recognition on the basis of votes on key issues affecting spending and the deficit. The 15th Republican scored 95 percent; the 15th Democrat scored 82. So Collins failed to make the cut despite a higher rating than some Democrats.



Associated Press

Vincent Foster
His suicide sparks an independent review.



Associated Press

Rep. Mac Collins
Georgian's efforts to cut deficit won top rating.

JOB FOR A SPELLER: The White House has a proofreading problem that could alienate someone from every country represented at a high-level international jobs summit hosted by **President Clinton** in Detroit on March 14. White House documents misspelled the names of British Chancellor of the Exchequer **Kenneth Clarke** (spelled Clark), German Labor Minister **Norbert Bluem** (spelled Bloehm), Italian Treasury Minister **Piero Barucci** (spelled Pietro) and European Economics Commissioner **Henning Christophersen** (spelled Christopherson). What's more, the first names of the French economics and labor ministers, **Edmond Alphandery** and **Michel Giraud**, were omitted, according to the International Herald Tribune. The newspaper reported additionally that the White House also insulted invitees by telling them they will have to foot their own hotel bills. The Washington Post quoted **Jay Bryne**, a government spokesman for the jobs conference, as saying the materials in question were simply drafts documents and, "Obviously we apologize for any embarrassment it caused."

ELSEWHERE

The National Rifle Association abruptly halted the sale of lists of former members' names after being swamped with complaints from angry members, and NRA executive vice president **Wayne LaPierre** said, "The privacy of our members is of paramount importance and outweighs the revenue benefit." ... Associate Attorney General **Webster Hubbell**, responding to a report in The Washington Post, said he has been questioned by his former law firm — Rose Law Firm of Little Rock, Ark. — about his billings in past cases, but he emphatically denied ever overcharging clients and diverting the excess to his personal use. ... Vice President **Al Gore** will be going to Argentina, Brazil and Bolivia later this month and will address the International Telecommunications Union on the role of modern telecommunications in global development. ... Chief Justice **William Rehnquist** rejected the bid by Sen. **Bob Packwood** (R-Ore.) to hold onto his subpoenaed diaries, making it almost certain they will be turned over to the Senate Ethics Committee. ... Actor **Tom Selleck**, who launched the Character Counts Coalition last year with former Rep. **Barbara Jordan** (D-Texas), visited Capitol Hill to discuss creative ways to instill basic values in youth as a way to counter violence and crime. ... Bar associations representing American lawyers of Asian and Pacific descent called on **President Clinton** to start nominating Asian/Pacific Americans to federal judgeships.

IT'S A FACT

The 76 members of the reform-minded Watergate-class of House members elected in 1974 marked one of the biggest turnovers in congressional history. And of those 76, only nine will remain in January — assuming everyone running is re-elected.

SAY IT AGAIN

"He got the Bushes out of the White House, Flowers in the bedroom and pansies in the Marines." — Rep. **Harold Rogers** (R-Ky.), now under fire from a gay rights group for calling **President Clinton** "gardener of the year."

— From staff, news services and published reports

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Mar 4, 1994

Grand Jury Is Reportedly Told Of Shredding at Little Rock Firm

One Box Had Initials of Aide Who Killed Himself

By STEPHEN ENGELBERG
Special to The New York Times

LITTLE ROCK, Ark., March 3 — An employee of the Rose Law Firm here has told a Federal grand jury that in late January he was ordered to destroy a box of documents from the files of Vincent W. Foster Jr., the White House lawyer whose suicide is under investigation by an independent counsel.

People familiar with the testimony of the employee, an in-house courier, said he had told the grand jury that he and a colleague had used a shredder in the firm's basement to destroy the papers. He testified that he had done so at the request of a clerk in the firm.

The firm's former partners include Hillary Rodham Clinton; Webster L. Hubbell, the Associate Attorney General; William H. Kennedy 3d, an associate White House counsel, and Mr. Foster, the deputy White House counsel who committed suicide in July. All left the firm to go to Washington last year.

The courier, a college student who is among several assigned to run messages and errands, told the grand jury on Feb. 16 that he did not know precisely what he had shredded but that he was certain the papers had come from Mr. Foster's files, those familiar with the account said. He testified that he looked inside the box and saw that the papers were separated by binders marked with the initials "VWF," the firm's typical abbreviation for Mr. Foster. The box itself also bore Mr. Foster's initial. No other employee at the Rose firm has those initials.

In a brief statement, the Rose firm denied that any of Mr. Foster's documents had been shredded.

"No files of Vincent Foster's have been destroyed," the statement said. "In the process of a lawyer changing offices, a box of old files containing internal Rose firm materials, such as copies of notes of firm committee meetings, was destroyed earlier this year."

The firm's lawyers declined to answer specific questions.

What Rose Handled

Mr. Foster's files are potentially important to investigators. While he was at the Rose firm, he worked on a wide array of legal matters for the Clintons, including the sale of the Clintons' share of the Whitewater Development Company, a real estate venture in the Ozark Mountains. At the time of his suicide, Mr. Foster was working on various personal matters for the Clintons, including tax filings and the creation of the family's blind trust.

Investigators have sought clues to the circumstances of Mr. Foster's death, as well as the Clintons' finances, in everything from Mr. Foster's inter-

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nal memos and telephone logs to his personal diary and even some cryptic scribblings discovered among his White House papers.

The courier testified that he had seen no references to Whitewater in the papers he shredded.

The timing of the shredding is unclear. By the courier's account to the grand jury, it took place around the time that Robert B. Fiske Jr., the independent counsel, was appointed on Jan. 20.

At the news conference called that day to announce his appointment, Mr. Fiske said he would investigate the circumstances of Mr. Foster's suicide and accusations that money had been improperly diverted from the Madison Guaranty Savings and Loan Association in Arkansas to Mr. Clinton's business interests or his 1984 gubernatorial campaign. The savings institution failed in 1989, and its assets and accounts were taken over by the Government.

Shortly after Mr. Fiske began his work, he issued a sweeping subpoena that, among other things, demanded all documents relating to Mr. Foster.

The date of that subpoena has not been disclosed publicly. If the shredding occurred after the firm was put on notice that Mr. Fiske wanted to review Mr. Foster's documents, such an action might have been improper, legal experts said.

Mr. Fiske's investigators are trying to determine the timing of the shredding, the nature of the documents destroyed and whether any of them might have been relevant to the inquiry.

Republican Pressure

Mr. Fiske's appointment came after after weeks in which Congressional Republicans pressed for an investigation into Whitewater and into Mr. Foster's activities. The Republican demands followed reports that the White House counsel, Bernard W. Nussbaum, had removed records from Mr. Foster's office shortly after his death. Among the documents that were removed and sent to Clinton's personal lawyer, David Kendall, were records of Whitewater.

The Government's independent counsel, Mr. Fiske, said today that he could not comment on matters before the grand jury.

In complex inquiries, investigators conduct many interviews. But Mr. Fiske's decision to call the courier as one of his first witnesses indicates that his account is being taken seriously.

The courier's lawyer, Dean Overstreet, said, "It's not something I can comment on because of the stage it's in."

What Law Says on Evidence

Many law firms, including Rose, say they routinely destroy documents for purposes of privacy and to save storage space. But legal experts said in interviews that the law prohibited people from intentionally impeding an investigation by destroying evidence they knew investigators wanted.

The firm has acknowledged that in February it received an order from Mr. Fiske demanding that it preserve all evidence. Mr. Fiske has never explained the reason for the order.

The courier was identified by people involved in the case as Jeremy Hedges, a college student who has worked part time at the Rose Law Firm for several years. He was said to have told the grand jury that he glanced at some of the documents as he fed them into the machine. By his account, he saw none that mentioned Whitewater Development.

Federal investigators have interviewed other Rose employees, including one who helped Mr. Hedges shred the box of Mr. Foster's documents, those familiar with the case said. That witness has not appeared before the grand jury.

Privacy of Clients

In interviews, lawyers and former employees of the Rose firm described how the firm set up a system for shredding documents in 1991, weeks after Mr. Clinton declared his Presidential candidacy.

The firm's managing partner, Ronald M. Clark, said last month that the firm had begun shredding out of concern that confidential information about would be compromised as the media examined the firm's activities.

By Mr. Clark's account, each lawyer was given a separate garbage can to throw out material to be shredded. Other current and former employees said couriers picked up papers to be shredded daily from lawyers and their secretaries.

Questions about shredding arose on Feb. 9, when The Washington Times, quoting an unidentified Rose employee, reported that the firm had destroyed documents pertaining to Whitewater Development. The newspaper reported that the documents were shredded on Feb. 3.

The courier's testimony describes shredding that occurred in January and appears to be unrelated.

Report Is Denied

The law firm denied The Washington Times article, and there has been no independent confirmation of it. But the article prompted Mr. Fiske to announce that he would investigate any incidents of shredding. Soon afterward, agents from the Federal Bureau of Investigation began interviewing Rose employees.

Former employees said couriers were told of the firm's new policy on shredding in a meeting in the fall of 1991. By their accounts, their supervisor told them that the firm had caught reporters going through the trash behind the building. To safeguard the privacy of clients, the firm's senior partners decided that sensitive documents would be shredded daily, former employees quoted the supervisor as saying.

One former employee said in an interview that in the summer of 1992 he was twice sent to the Governor's mansion to deliver an envelope to Mrs. Clinton and to pick up a half-inch-thick sheaf of documents to be shredded. He said he was escorted by two Secret Service agents as he walked up a driveway and exchanged envelopes with Mrs. Clinton. The courier said he fed the material into the shredder without opening it.

Shredding After Election

Several former employees said in interviews that after the election the pace of shredding picked up. Christopher A. Cordero, a 22-year-old who worked as a courier until the summer of 1993, said he had collected and shredded several legal-sized boxes of documents from Mrs. Clinton's office at the law firm in late November or early December of 1992. He said he was pointed to the boxes by secretaries or file clerks.

Asked if she could shed any light on what the couriers said about shredding Mrs. Clinton's documents, Lisa Caputo, spokeswoman for the First Lady said, "I cannot say in stronger terms I know nothing about what you're talking about."

About that time, couriers were sent to the Rose firm's storage warehouse at a riverside complex near downtown Little Rock. Former employees said they collected at least eight full boxes of documents from the files of Mrs. Clinton, Mr. Kennedy, Mr. Hubbell and Mr. Foster. The former employees said they seldom looked at what they fed into the machine.

THE NEW YORK TIMES, FRIDAY, MARCH 4, 1994

White House Ethics Meltdown

From now on, President Clinton says, "everyone will be much more sensitive" about attending the improper meetings between White House and Treasury officials concerning the Resolution Trust Corporation's inquiry into a savings and loan association with close ties to him and Mrs. Clinton.

Sure, that would be progress. But Mr. Clinton's tepid response explains why his Administration is easily the most reckless in interfering with the integrity of Federal investigative agencies since that of Richard Nixon.

Mr. Clinton's effort at political damage control follows the astonishing revelation that White House aides held not just one, but three such improper meetings with senior Treasury officials.

Deputy Treasury Secretary Roger Altman, the acting R.T.C. chief, told the Senate Banking Committee last week about the "heads up" meeting he initiated several weeks ago for White House officials. This week came the news there were two other White House meetings in October where other Treasury officials discussed the case with Bernard Nussbaum, the President's counsel, and other White House officials.

Faced with these repeated efforts to compromise the inquiry into Madison Guaranty Savings and Loan and the Whitewater case, the special counsel, Robert Fiske Jr., must move swiftly. He should immediately subpoena all notes taken at the meetings and depose the participants under oath.

Meanwhile, the President must show that he is not the architect of this investigative sabotage by moving against those who violated basic conflict-of-interest principles. It is not enough that Mr. Altman recuse himself from the Madison inquiry. Treasury Secretary Lloyd Bentsen should remove him from his job as acting R.T.C. head today and install the next-highest-ranking untainted official to run the agency on an interim basis. Similarly, Secretary Bentsen has cause to remove Jean Hanson, the Treasury counsel, for briefing Mr. Nussbaum in advance on where the supposedly independent R.T.C. investigation was going.

It is, of course, long past time for Mr. Nussbaum to be dismissed. He seems to conceive of being "the President's lawyer" as a license to meddle with the integrity of any Federal agency. First, he and his staff tried to involve the Federal Bureau of Investigation in a politically inspired White House purge of employees of its travel office. When Vincent Foster, the deputy counsel, committed suicide, Mr. Nussbaum interfered with the investigation by the National Park Service police and transferred sensitive files to Mr. Clinton's private lawyer.

All this paints a picture of a White House dedicated to shortcutting justice if that is what it takes to shield the financial affairs of Mr. Clinton, his wife and their friends from scrutiny. This President desperately needs first-rate legal advice and a staff that is visibly under someone's managerial control. White House chief of staff Thomas McLarty's response, a mildly chiding memo about improper meetings, is totally inadequate to the situation.

The Whitewater inquiry itself will move onto more intriguing ground with The New York Times's disclosure today about grand jury testimony that the Rose Law Firm may have been shredding documents belonging to Mr. Foster and Mrs. Clinton. If the shredding of the Foster documents took place after Mr. Fiske said he was looking into the suicide, that action may be illegal. Mr. Fiske will have no choice but to question Mrs. Clinton and Associate Attorney General Webster Hubbell, both former partners in the firm, about their knowledge of any destroyed documents.

Of course, punishing the incompetent and asserting firm conflict-of-interest principles requires a President who is dedicated to evenhanded justice. So far there is scant evidence of those qualities.

The Way Back to the Mideast Table

Yasir Arafat is undoubtedly sincere in telling Washington he wants to get back to the bargaining table with Israel as soon as Palestinian anger over the Hebron massacre subsides. He wants to complete arrangements for the beginning of Palestinian self-rule in the occupied territories. But he insists that Israel first take steps that go well beyond the framework for self-rule that both sides agreed to last summer. That reaches too far.

By raising issues that are not ripe for resolution at this time, like uprooting Jewish settlements, disarming all settlers and deploying international peacekeepers, Mr. Arafat invites new and dangerous delays in the timetable for self-rule.

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The September framework agreement provides for an interim period of self-rule for the Palestinian population in the occupied territories beginning with the Gaza Strip and Jericho. Israeli settlers and settlements would remain under Israeli rule, while Palestinian areas would come under Palestinian administration. More difficult issues affecting settlements, territorial definitions and the international political status of the Palestinian area were deferred for later discussion.

From the start, radical Palestinians attacked the agreement for not providing immediate statehood. After negotiating delays held up the start of Israeli troop withdrawals, moderate elements became disillusioned too. Finally, the Hebron killings triggered a flood of righteous outrage that made it impossible for Mr. Arafat to go on talking about prosaic matters of local administration.

The Israeli Government has been trying to respond to Palestinian anger. Prime Minister Rabin scathingly denounced not only the assailant, Baruch Goldstein, but his fellow followers of the racist rabbi Meir Kahane's teachings. Israel has taken unprecedented steps to disarm the most violent Jewish radicals and even expel them from the territories. And it has accelerated the release of Palestinian political prisoners.

But this has not been enough to satisfy Palestinian opinion or bring Mr. Arafat back to the talks. Even the Clinton Administration, usually sympathetic to Israel, urges Mr. Rabin to move beyond "tokenism" by broadening his crackdown on violent Jewish radicals. And Secretary of State Christopher speaks of quickly extending self-rule, as defined in September, to the whole West Bank.

But the P.L.O. goes much further. It asks that all Jewish settlers be disarmed, that the issues of settlements and Jerusalem be immediately put on the bargaining table and that international peacekeepers be deployed to protect Palestinian lives.

These demands are deal-breakers, as emotionally charged on the Israeli side as on the Palestinian. If the P.L.O. insists on making them preconditions for proceeding with interim self-rule, there will be no interim self-rule.

Mr. Arafat needs to redirect his militance toward guarantees of security for Palestinians within the agreed framework. Israel must indeed do more to break the impasse created by the Hebron massacre. It needs to assure the Arabs of the occupied territories that, so long as they live under Israeli authority, the Government of Israel will protect their security every bit as aggressively as it protects the security of Israeli Jews.

That could mean prohibiting armed settlers from entering Arab population centers and subjecting other Israelis entering these centers to the same rigorous security checks that are now periodically applied to Arabs entering Israel proper.

The longer-term answer is self-rule, which will shift the responsibility for most Palestinian affairs, including physical security, into Palestinian hands. It is in everyone's best interests to get Mr. Arafat back to the table and quickly clinch the deal.

Clinton Faults Contacts With Officials on Probe

[redacted]te House Counsel Considers Resigning

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers A1

The Clinton administration yesterday moved on three fronts to quell a new controversy over White House contacts with Treasury officials on an investigation into the failed Madison Guaranty Savings & Loan.

President Clinton said the contacts should not have occurred and had the White House issue a new memorandum to all staffers reiterating the ban on such meetings. Officials said White House counsel Bernard Nussbaum was considering resigning. And at the Treasury Department, Secretary Lloyd Bentsen asked the independent Office of Government Ethics to investigate the contacts.

[redacted]on said no wrongdoing had [redacted]d in the three separate dis[redacted] between White House advi[redacted] and officials familiar with the investigation into the collapse of Madison and its connections to the Whitewater land venture, in which the Clintons were partners. But, he said, "I think it would be better if the meetings and conversations had not occurred."

The White House has confirmed that on three occasions from September to February, senior officials including Nussbaum met with high-level Treasury officials who had been briefed by the Resolution Trust Corp. on the status of its investigation and its request to the Justice Department to investigate possible criminal activity in connect with the collapse of the thrift. The RTC request for a criminal investigation included references to the Clintons as potential beneficiaries of illegal Madison actions, but did not accuse them o[redacted]rongdoing.

[redacted] House Chief of Staff Thomas [redacted] Mack" McLarty yesterday issued a "memorandum for the White House staff" stating that any contact from an executive branch or independent agency regarding Madison, the Whitewater Development Corp. or related matters should be direct-

BRIEFING, From A1

ed to deputy White House counsel Joel Klein. Klein has been charged with determining whether such contacts should be allowed, banned or be referred to the Clintons' personal attorney.

Nussbaum normally would make such determinations. Since he was party to all three of the contacts, however, officials said the role was shifted to Klein. Some administration officials suggested yesterday that Nussbaum's involvement in what are seen as ethical breaches ha[redacted]ed him to consider resign-i[redacted]

At the Treasury Department, Bentsen said he had no knowledge of any of the contacts and announced he has asked the independent Office of Government Ethics to investigate. Treasury officials said the request was made in response to a Washington Post story yesterday outlining the three contacts.

The largest meeting took place in mid to late October when Nussbaum, White House Communications Director Mark Gearan and Bruce Lindsey, the senior aide to Clinton who is his point man on the Whitewater and Madison matters, met with Bentsen's chief of staff, his press secretary and the general counsel.

According to sources, the counsel, Jean Hanson, had been briefed earlier that month by senior RTC officials on the status of their investigation into Madison, which included their decision to ask the Justice Department to investigate the collapse of Madison and Clinton connections to Madison through Whitewater. Madison's owner was partners with the Clintons in Whitewater.

Officials said the month before, Hanson had told Nussbaum that the RTC either had referred the matter to Justice or was likely to and that the Clintons would be mentioned as possible beneficiaries of illegal Madison activities, without any charge that they themselves had engaged in illegal activities.

In addition to those sessions, Deputy Treasury Secretary Roger C. Altman, who also heads the RTC in the absence of a permanent nominee from the White House, told Congress last week that he had briefed Nussbaum and others at the White House recently on how the RTC would proceed with potential civil claims arising out of Madison's collapse.

Gearan said the White House found out about the Bentsen action from news reports, but welcomed it. Asked why Bentsen, not Clinton, had asked for the review, he said, "I don't speak for the secretary of the treasury."

The White House in its first months issued a general memo banning contacts between officials there and those in regulatory or investigatory agencies on specific subjects without approval by the White House counsel's office and then under only certain circumstances.

Clinton said no wrongdoing had occurred in the three separate discussions.

Following the controversy surrounding the White House handling of their firing of seven travel office aides last year, officials were warned in new memos and statements from McLarty about contacts between them and investigatory agencies.

Yesterday's memo, a senior official said, was not so much a new rule as "an effort to heighten sensitivity" to the issue. Clinton said, "I think now that there is an actual formal process underway, everyone will be much more sensitive." The McLarty memo, he said, is a way to "bend over backwards to avoid not only the fact but any appearance of impropriety."

Clinton said the numerous investigations into various aspects of Madison and Whitewater should "go forward unimpeded and as quickly as possible" and that the White House cannot interfere or take actions that create the appearance of interference.

"We don't need to have any implication that we are in any way trying to manage or affect this process," he said. "We are not. We must not. And I don't want the American people to give it a second thought."

The contacts gave Republicans in Congress further ammunition to press their demands that Altman, Hanson and other Treasury officials be made to explain their actions at public hearings.

Sen. Alphonse M. D'Amato (R-N.Y.), ranking minority member of the Senate Banking Committee, said in an interview that "it is inconceivable" that Hanson would have briefed Nussbaum on the criminal referrals "on her own." Altman and Bentsen have said they didn't know about the earlier meetings. D'Amato said "it cries out" for Hanson to be questioned by Congress about her role in the three briefings. D'Amato said 43 Republican senators have pledged to hold up the nomination of Ricki R. Tigert to head the Federal Deposit Insurance Corp. until the banking committee holds hearings on the briefings.

Rep. Jim Leach (R-Iowa), ranking minority member of the House Banking Committee, said in a statement that "all participants in these meetings should not only be sanctioned for their breach of the public trust, but they should be brought before Congress to provide full public disclosure of their actions and discussions."

McLarty's memo underscored the difficult position in which Nussbaum finds himself. Nussbaum has been at the center of many of the most criticized incidents of the Clinton administration, from the vetting of prospective nominees such as Kimba Wood and Lani Guinier to the firing of the White House travel office employees and the handling of the investigation into the suicide of deputy counsel Vincent Foster.

Nussbaum has previously been combative in the face of criticism and withstood repeated calls from newspaper editorials and elsewhere for his resignation. But administration officials said yesterday that the former Wall Street litigator was shaken by the latest round of criticism. Asked how Nussbaum was holding up, one senior official said, "I don't think as well as other times."

Nussbaum did not return telephone calls yesterday or Wednesday.

Other administration sources said that Nussbaum's wife, Toby, is "fed up" with Washington and what she sees as its unfair treatment of her husband. One official said that Nussbaum, even before the recent round of criticism over his contacts with Treasury officials, was seeking "peace with honor. I think he wants the timing to be right but I feel more and more now like he's had enough."

At the White House, Nussbaum has few defenders among the senior staff, many of whom openly question his political judgment and believe he has damaged the administration. But Gearan said that Clinton "has confidence in Mr. Nussbaum, he believes he's made many important contributions to the administration," including the appointments of Attorney General Janet Reno, Supreme Court Justice Ruth Bader Ginsburg, and FBI Director Louis Freeh.

Clinton Distances Himself From Inquiry Briefings

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 3 — President Clinton and Treasury Secretary Lloyd Bentsen moved today to disassociate themselves from the conduct of aides who met privately three times in recent months to review the status of a confidential investigation into an Arkansas savings and loan.

"I think it would have been better if no conversations had taken place," Mr. Clinton told reporters this morning, hours after news accounts detailed two previously unknown discussions between senior Treasury officials and White House aides about the investigation of the Madison Guaranty Savings and Loan.

Speaking this morning for the first time publicly about the briefings, Mr. Clinton said he believed that Bernard W. Nussbaum, the White House counsel, and others who participated in the meetings had done nothing wrong.

But the President said that he feared they had left an impression of impropriety, and he ordered the White House chief of staff, Thomas F. McLarty 3d, to draft new restrictions to insure that his aides would not take part in such meetings again.

Bentsen Calls for Review

As Republican leaders issued harsh criticism of the Administration's handling of the matter, Mr. Bentsen went even further, issuing a written statement saying that he had asked Treasury's Office of Government Ethics to review his subordinates' conduct.

Mr. Bentsen, whose four top aides each took part in at least one of the three sessions, said he had requested the internal review "to insure that all ethical guidelines were followed." In terse language that officials said he had dictated himself, Mr. Bentsen expressed confidence in the Treasury officials but said: "I did not attend any of these meetings, nor was I informed of any of these meetings."

White House officials were caught by surprise by Mr. Bentsen's call for an investigation and said Mr. Clinton had concluded that no retrospective action was necessary. But George Stephanopoulos, a senior adviser to the President, said tonight that the Treasury Department investigation would cover all three contacts between Treasury and White House officials.

Criminal Inquiry Warning

In the first of the meetings, Administration officials said today, the Treasury Department's top lawyer gave the White House advance warning that Government regulators planned to ask the Justice Department to begin a criminal investigation into the failed Madison Guaranty Savings and Loan, and that the request would name the Clintons as possible beneficiaries of illegal actions.

The Clintons were partners with Madison's owner, James B. McDougal, in a failed real estate venture, the Whitewater Development Company. That investment and the subsequent failure of the savings and loan are now the subject of an investigation by a special counsel, Robert B. Fiske Jr.

The efforts by Mr. Clinton and Mr. Bentsen to insulate themselves from the aides who took part in the meetings, including Mr. Nussbaum and Deputy Treasury Secretary Roger Altman, reflected a growing recognition within the Administration that the case is proving politically damaging.

The advance warning to Mr. Nussbaum, the White House counsel, was given on Sept. 29 by Jean Hanson, the Treasury Department's general counsel. Their conversation was the first of the three between senior Treasury officials and White House aides about the investigation of Madison Guaranty by the Resolution Trust Corporation, the Federal agency in charge of disposing of failed savings and loan institutions.

White House officials said that Ms. Hanson, who was then also serving as the trust corporation's acting counsel, had told Mr. Nussbaum in a brief encounter that a trust corporation document recommending a criminal investigation of Madison Guaranty would name the Clintons as possible beneficiaries of illegal actions by the thrift.

Amid criticism, the White House drafts rules for aides' meetings.

But it was not until at least a week later, on Oct. 8, that the trust corporation formally asked the Justice Department to look into the matter. That would mean that Mr. Nussbaum took part in discussing a criminal referral involving the Clintons while it was still being evaluated by the corporation and before the Justice Department learned of the case.

Clinton Adviser Got Word

Dee Dee Myers, the White House spokeswoman, said tonight that Mr. Nussbaum had been given the impression that the decision was "a fait accompli." Another White House official said that Mr. Nussbaum had done nothing with the information except to share it with Bruce Lindsey, a senior adviser to Mr. Clinton.

But the information contained in criminal referrals is generally regarded as so sensitive that Administration officials described the conversation between Mr. Nussbaum and Ms. Hanson as the hardest to defend of the three private briefings, the last of which occurred just three weeks ago.

Not only are the details of any allegations normally kept from those who might become the subjects of an investigation, but Goyernment procedures seek as a rule to keep regulators' findings from being shared with political appointees who might taint the investigation.

Ms. Myers, nevertheless, said tonight that Mr. Clinton retains "full confidence" in Mr. Nussbaum. Other senior officials described his conduct as within acceptable bounds because the Clintons had not been subjects or targets of the Federal investigation.

Neither Mr. Nussbaum nor Ms. Hanson returned telephone calls placed to their offices today.

As Republicans intensified their criticism today, Senator Bob Dole of Kansas, the Republican leader, and Senator Alfonse M. D'Amato, a New York Republican, announced that they and 41 other Republican Senators would block Senate confirmation of President Clinton's nominee to the chairmanship of the Federal Deposit Insurance Corporation until the Senate Banking Committee hold hearings on Whitewater.

Senator Dole issued his harshest criticism yet of the Administration's handling of the issue, saying that a coverup might be under way by the Administration and Congressional Democrats.

"The Democrats in Congress are apparently going to participate in a coverup, and not try to get the facts," Mr. Dole said.

Mr. D'Amato was more blunt about the Clinton Administration's handling of Whitewater. "They are stonewalling and creating their own Whitewatergate," he said.

THE NEW YORK TIMES, FRIDAY, MARCH 4, 1994

Reno Supports Hubbell, Says No Inquiry Planned

RTC Begins Its Own Probe Into Billing By Arkansas Law Firm on S&L Matters

By Michael Isikoff
and Susan Schmidt
Washington Post Staff Writers

Attorney General Janet Reno said yesterday she has full confidence in Associate Attorney General Webster L. Hubbell and plans no internal Justice Department inquiry into questions about his past client billings and expenses at the Rose law firm in Little Rock, Ark.

Referring to a Washington Post story that first disclosed an internal law firm inquiry into Hubbell's activities, Reno said at her weekly news conference that she "knew nothing" about the matter until this week and was satisfied once Hubbell explained it to her.

"My father taught me especially never to believe everything that you read in the newspaper that makes allegations without at least one identified source," said Reno. "I have worked with Webb Hubbell for a year now. I have been extraordinarily impressed with his honesty, his candor, his professionalism, and the sacrifices he's making to serve the American people."

Reno later compared the matter to a newspaper reporter being questioned about his expense account. Her comments echoed those made by the White House on Wednesday and underscored the degree to which the Clinton administration is standing behind Hubbell, a pivotal figure at Justice and a regular golfing buddy of President Clinton.

But the Resolution Trust Corporation inspector general's office said yesterday it is beginning its own probe into the matter. RTC Inspector General John Adair said his office has been asked by the agency's deputy chief executive officer, Jack Ryan, to audit Rose firm bills submitted to the agency on savings and loan cases. Adair said his office will also audit Rose bills submitted to the Federal Deposit Insurance Corp.

The RTC and FDIC routinely hire outside law firms to sue officers, directors, accountants and borrowers of failed savings and loans. The Rose firm received 22 government contracts in savings and loan cases since 1989 that so far have enabled the firm to bill $1.27 million in fees, according to an Associated Press compilation.

The billing records show that Rose lawyers charged the government between $75 an hour for junior associates' work to $140 an hour for senior partners. Hubbell was one of a handful of senior Rose lawyers, including late deputy White House counsel Vince Foster and Hillary Rodham Clinton, who performed such work.

Sources close to the Rose firm have said that Hubbell's RTC billings are among those being reviewed. Hubbell has acknowledged being questioned last week by his law partners about his fees in one RTC case, but said in a Wednesday statement: "I did not overbill the RTC or any other clients."

A Landmark Access Overhaul At Empire State

By Liz Spayd
Washington Post Staff Writer

The Justice Department yesterday settled one of the first complaints filed under the Americans with Disabilities Act, reaching an agreement that will require nearly $2 million in changes to New York City's Empire State Building.

Over the next nine months, the landmark tourist site will be revamped, starting at its Fifth Avenue entrance and ascending 86 flights, in order to bring the structure into compliance with the disability law. Ramps will be added, bathrooms will be redesigned, ticket counters will be lowered, stairs will be removed, even walls will be modified so visitors in wheelchairs will be able to reach the 86th-floor observation deck.



ASSOCIATED PRESS
Settlement will bring $2 million in renovations.

Justice Department officials said they believe the building's national prominence will help set the pace for future settlements. "This is more than just one building. It is a symbol," said John Wodatch, who oversees disability issues at Justice. "It shows that what ADA is talking about involves a wide variety of American life, including enjoying tourist attractions."

The most comprehensive law protecting the rights of the disabled, the ADA requires that workplaces, restaurants, movie theaters, doctors' offices and other public spaces be accessible to all.

Since provisions of the law went into effect two years ago, federal agencies have received thousands of complaints. The complaint against the Empire State Building Co. was filed on Jan. 27, 1992, the day after the ADA took effect. It took two years for the Justice Department and building owners to negotiate a settlement—a time lapse that riled the disability rights group that filed the charge.

"We're obviously pleased that the complaint is finally settled but dismayed at how long it took. . . . the building is still not accessible, and it won't be for almost a year," said Cary LaCheen, an attorney with New York Lawyers for the Public Interest, which filed the suit.

A spokesman for Helmsley-Spear Inc., the property management company for the Empire State Building, said negotiations were protracted because the building is a landmark site and many architectural changes required approval by city officials and historic preservation groups.

Bad to Worse

IT'S A BAD sign when the president has to order his own staff to refrain from engaging in the sort of conduct most first-year law students would immediately recognize as improper. It really shouldn't require a memorandum from Chief of Staff Thomas F. McLarty to get across the fact that White House officials have no business meeting with Treasury Department officials about the status of the independent Resolution Trust Corp.'s probe into the failed Madison Guaranty Savings and Loan. Especially is this so when the Clintons are named in an RTC criminal referral as potential beneficiaries of illegal Madison activities. The failure of so many important White House figures to get that message is sapping confidence in the administration's handling of the Whitewater affair.

Treasury officials, it now turns out, twice reported to White House superiors on the status of the RTC investigation. In one instance, Treasury general counsel Jean Hanson met with White House counsel Bernard Nussbaum to tell him about the RTC's referral of the Madison failure to the Justice Department for investigation of possible criminal activity. She also reportedly informed Mr. Nussbaum that the Clintons were named in the action but had not been accused of any wrongdoing. If any two officials should have recognized the impropriety of such discussions, it would be counsels for the White House and the Treasury Department.

RTC policy on the confidentiality of its investigations is clear. Criminal referrals are restricted and privileged information; improper release could jeopardize civil or criminal litigation. How can administration lawyers not respect that prohibition?

The second meeting, also held in Mr. Nussbaum's office, involved a discussion between White House and Treasury spin controllers on how to handle Madison press inquiries. Disclosure of this meeting and the earlier one comes on the heels of last week's admission by Deputy Secretary Roger Altman that he had given a "heads up" to Mr. Nussbaum on how the RTC, which he runs, would treat potential civil claims springing from Madison. So confusion over how to negotiate the Whitewater ethical maze evidently isn't limited to the White House.

Treasury Secretary Lloyd Bentsen yesterday reinforced Mr. Clinton's actions. In a statement Mr. Bentsen distanced himself from the amateur political operators in his department and instructed Treasury officials "to have no contact with the White House about this case." He also asked for an investigation by the Office of Government Ethics into contacts between White House and Treasury officials.

Congressional Democrats have refused to hold hearings or to demand answers to legitimate questions about this affair. Naturally, the Republicans are having a field day. Mr Clinton lamely said yesterday, "I think it would be better if the meetings and conversations had not occurred." That's not the half of it.

Narrowing the 'Three Strikes' Zone

THE PRESIDENT is moving in the right direction on the "three strikes" provision in the crime bill. His alternative proposal, now being studied by the House Judiciary Committee, still needs some tinkering, but it is a much better proposal than either of the two provisions passed by the Senate.

Public support for "three strikes" arises out of an understandable dissatisfaction—escalating to fury in some cases—with multiple, serious offenders who serve one prison term after another and return to violence each time they are released. The solution, life in prison without possibility of parole after a third such offense, is harsh, but not out of line for those very violent offenders who pose the greatest threat to public safety. The problem with the Senate bill is that it is far too broad, imposing the penalty for a whole range of felonies, some of which—destruction of mailboxes, for example—are relatively minor property crimes.

The president proposes a far more careful definition of violent crime. With one exception, it encompasses only those offenses that involve physical harm to individuals. These include murder, kidnapping, rape, aggravated assault and gun crimes, among others. Inexplicably, the list also includes arson and defines it so broadly that it would cover the destruction of a bicycle or a tool shed far from any occupied building. These are property crimes that do not warrant life sentences. A more limited definition is needed.

Another major change in the Senate language has been suggested, but the president declined to endorse it. Criminal justice experts have pointed out that very few people over 50 commit violent crimes. They have suggested releasing chronic offenders who have completed their sentences, once they pass this threshold. We believe the idea at least deserves some debate, but the president apparently has decided that a clearer message is sent by staying with the simple "no parole" position. Any president has an option to grant clemency to an aged prisoner, of course, and perhaps that should be emphasized in the bill if an age-based amendment is not adopted.

The bill could require an annual review of this segment of the prison population for purposes of recommending clemency. This makes sense not only in terms of public safety but also as a reasonable remedy if prison overcrowding and the high cost of maintaining an aged population turn out, as has been predicted, to be a problem.

Whitewater Is Starting to Have Diverse Impac First Key Victim Could Be White House Counse

By JEFFREY H. BIRNBAUM
And KENNETH H. BACON
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—The swirling Whitewater scandal is beginning to hurt the Clinton administration on many fronts.

The first major victim could be White House Counsel Bernard Nussbaum. Many in the White House believe he has mishandled a series of Whitewater-related matters and will have to go. In addition, the partisan waters of Congress have gotten so roiled that an important nomination and the president's legislative agenda appear to be under threat.

Even the president's allies are beginning to separate themselves from the White House. In particular, Treasury Secretary Lloyd Bentsen asked the Office of Government Ethics to review three meetings between top Treasury officials and White House aides regarding possible Resolution Trust Corp. lawsuits in a case involving a failed Arkansas thrift. Mr. Nussbaum was present at all three meetings. Deputy Secretary Roger Altman, who is also interim RTC chief, and General Counsel Jean Hanson are among the officials subject to the review.

In a more partisan action, Senate Republicans vowed to block confirmation of the Federal Deposit Insurance Corp. chairman until Democrats agree to hold hearings on the circumstances that led to the failure of Madison Guaranty Savings & Loan, which has been linked to Bill and Hillary Rodham Clinton's political and business dealings in Arkansas.

Pressure on Nussbaum

Top administration officials said they couldn't see how Mr. Nussbaum will be able to remain in the wake of disclosures about the questionable meetings with regulators who are probing the Clintons' Whitewater real-estate investment. Even Mr. Clinton criticized the meetings when asked about them. While saying, "nearly as I can determine, nobody has done anything wrong or attempted to improperly influence any government action," the president added, "I think it would be better if the meetings and conversations hadn't occurred."

Last night, the White House publicly defended Mr. Nussbaum. "The president has confidence in Mr. Nussbaum; he's done good things," said Mark Gearan, the White House communications director. Mr. Nussbaum couldn't be reached for comment.

Leaving a Bad Impression

Mr. Nussbaum has had a notably calamitous tour of duty. Although he helped choose two often-praised Clinton appointees – Supreme Court Justice Ruth Bader Ginsberg and FBI Director Louis Freeh – he also has weathered heavy criticism for his role in the aftermath of the firing of the White House travel office, the failed Zoe Baird nomination for attorney general, the abortive nomination of Lani Guinier to be the Justice Department's civil-rights chief, and, more prominently, his removal of Whitewater files from the office of his deputy Vincent Foster after his suicide last summer.

White House insiders said that, although he hasn't been accused of doing anything illegal, his actions have left the impression that the White House was stalling and even stonewalling in matters related to Whitewater and Mr. Foster's death. The appearance problem was ironic, given Mr. Nussbaum's stint in Washington as a senior staffer on the Watergate cover-up investigation in the House.

The ethics inquiry initiated by Secretary Bentsen adds a new element to the Madison case. It's the first administration acknowledgement that department officials may have breached Treasury rules designed to protect the independence of financial agencies. The RTC sells off the assets of failed thrifts and often sues lawyers, accountants and thrift officers who may have contributed to the thrift's failure.

White House and Treasury officials confirmed a Washington Post report that Treasury officials had discussed the RTC's investigation of Madison twice last fall with White House officials. The White House said that at a Sept. 29 meeting, Ms. Hanson told Mr. Nussbaum that criminal referrals against Madison had been prepared by the RTC for consideration by the Justice Department. On Oct. 14, Ms. Hanson and Mr. Nussbaum met with other White House and Treasury officials.

Although Mr. and Mrs. Clinton were mentioned in the RTC's criminal referral, they're not targets of the inquiry, according to the Post. Mr. Clinton has denied any wrongdoing. A special counsel is investigating the failure of Madison and its connection, if any, to **Whitewater Development** Co., a north Arkansas land venture owned by the Clintons and the former owner of Madison and his wife.

The disclosure of last fall's meetings follow testimony by Mr. Altman, who told the Senate Banking Committee last week that he had recently discussed with Mr. Nussbaum the statute of limitations on RTC civil actions involving Madison. Mr. Altman has recused himself from further consideration of Madison. Yesterday, he said he discussed only public information and that the Treasury's ethics officer had cleared the meeting.

The GOP's decision to block a vote on the nomination of Ricki Tigert to head the FDIC shows that the partisan bickering could slow presidential appointments and, more important, stop legislation. Ms. Tigert was particularly vulnerable to being taken as a political hostage because she is an acquaintance of Mrs. Clinton's and in line to head a bank-supervisory agency. Republicans charge that the White House is trying to exert political control over bank regulators to choke off investigations into the circumstances surrounding the 1989 failure of Madison.

"In this climate of concern about the integrity of our financial system, it is absolutely essential that the public have complete confidence in our independent bank regulatory system," said Sen. Alfonse D'Amato (R., N.Y.).

At a Banking Committee hearing on an administration plan to consolidate bank regulatory agencies, Mr. D'Amato announced that 43 Republican senators have signed a letter pledging to block consideration of the Tigert nomination until the committee "has an opportunity to thoroughly examine" the RTC's handling of a civil investigation into Madison. Banking Committee Chairman Donald Riegle (D., Mich.) has refused to hold extensive hearings, citing the special counsel's investigation.

The White House reacted angrily to the holdup of the Tigert nomination, which was cleared by the Senate Banking Committee 16-1. "It's unfortunate that the Senate is going to play politics with this," said spokeswoman Dee Dee Myers. "We'll cooperate with the special counsel and [the ethics office]. In the meantime, the Senate ought to get on with the business of debating these appointments and debating issues that matter to the future of this country."

Mr. D'Amato suggested that GOP opposition won't stop with the Tigert confirmation. "We're not going to let this matter rest," he said at news conference.

The administration has been stung. Mr. Bentsen instructed Treasury officials "to have no contact with the White House about this case." He noted pointedly that "I did not attend any of these meetings, nor was I informed of many of these meetings."

White House Chief of Staff Thomas McLarty issued a two-paragraph memo outlining the rules about contacts with outside agencies regarding Whitewater. "No contact by the White House with executive branch or independent agencies regarding these matters should be made without prior authorization from the deputy counsel," the memo stated. Mr. Clinton said, "We will bend over backward to avoid not only the fact but any appearance of impropriety."

Separately, the full Federal Bureau of Investigation background report on Associate Attorney General Webster Hubbell was sent to the Senate Judiciary Committee following a request by Republican Sens. Strom Thurmond of South Carolina and Charles Grassley of Iowa.

Bargaining in Little Rock ✓

Following is an exchange of correspondence between Randy Coleman, attorney for David Hale, and Paula Casey, U.S. attorney in Little Rock, just prior to the September indictment of Mr. Hale for fraud concerning the Small Business Investment Corp. he managed.

One of Mr. Hale's loans was for $300,000 to a concern owned by Susan McDougal, a partner with her husband and Bill and Hillary Clinton in Whitewater Development Corp. Some $110,000 of this money reportedly ended up in the Whitewater account.

Ms. Casey, a longtime associate of the Clintons appointed to her post when the incoming administration fired all sitting U.S. attorneys, subsequently recused herself from the case because of her association with some of the individuals involved. Independent counsel Robert Fiske has obtained a superseding indictment, and is prosecuting Mr. Hale as his first court case.

* * *

Mr. Coleman to Ms. Casey, Sept. 15, 1993:

This letter is written as a follow up to our recent personal phone conversations. . .

Fletcher Jackson of your office has previously told me that Mr. Hale will be indicted on one or more charges on the third Tuesday of September, being September 21, 1993. Since first becoming involved in this matter approximately five (5) weeks ago and being informed of this anticipated event, I have been attempting to reach some form of negotiated plea with your office without any success.

I cannot help but sense the reluctance in the U.S. Attorney's office to enter into plea negotiations in this case. I cannot help but believe that this reluctance is borne [sic] out of the potential political sensitivity and fallout regarding the information which Mr. Hale could provide to your office, but at the same time it is information which would be of substantial assistance in investigating the banking and borrowing practices of some individuals in the elite political circles of the State of Arkansas, past and present. I can certainly understand the reluctance of anyone locally to engage in these matters, political realities being what they are.

Would it not be appropriate at this point for your office to consider terminating participation in this investigation and to bring in an independent prosecutorial staff, who are not so involved with the history of the personalities and circumstances of this case? Such action might serve your office better. It would certainly serve Mr. Hale better because I feel that he is being prejudiced by not being afforded opportunities that other targets of a potential criminal prosecution are afforded in the process of plea negotiations. . . .

Ms. Casey to Mr. Coleman, Sept. 16:

. . . My recollection of our meeting on September 7 is that I told you that I would not consider granting immunity to your client nor would I consider filing only misdemeanor charges. You made it clear to me that one felony would be as disastrous to your client as multiple felonies. Therefore, our plea negotiations are at an impasse.

I did tell you that if Mr. Hale was willing to offer substantial assistance in the prosecution of other defendants, I would consult with my Litigation Committee about requesting a motion authorizing a reduction in sentence. The motion to reduce sentences comes only after a plea of guilty to felony charges. If your client is interested in cooperating in exchange for such a reduction, he must make himself available to federal agents for questioning so that we can determine whether his proffer merits such a motion. I will be pleased to arrange such an interview at your earliest convenience.

The fact that I am not willing to enter into any other agreement with Mr. Hale should not be construed as reluctance on my part to prosecute any individual when the situation merits prosecution.

Mr. Coleman to Ms. Casey, Sept. 20:

Apparently we are not going to achieve anything further on plea negotiations in this case at the present time. Time is becoming a precious commodity. While we do not feel that the Government should proceed with an indictment against Dave Hale, we would suggest that any return of the indictment be sealed to allow the sides further time to negotiate a difficult situation.

Michael Johnson, for Ms. Casey, to Mr. Coleman, Sept. 20:

Earlier today I phoned you and requested that you provide a proffer of any information your client wished to bring to our attention. You have responded by letter dated this date in which you indicated that you did not believe we will achieve anything further in plea negotiations. As you acknowledged, your letter was in response to our earlier phone conversation.

Our position is as we have stated to you before, that is, we are fully interested in all information your client has to offer. Because of his significant involvement in criminal activity, it is unacceptable to us to grant him immunity. We are willing to provide your client with a motion authorizing reduction of sentence for substantial assistance upon his plea of guilty to a felony charge of fraud and his providing the substantial assistance. Of course to date your client has offered no tangible information on which any such arrangement could yet be made. My understanding of your letter is that he chooses not to do so at this time.

We see no reason not to proceed with the presentation of our case to the grand jury and our other normal process of handling grand jury matters. Should the grand jury decide to indict your client, we will remain ready to listen to any proffer you or your client have to offer and go forward on the basis that we have outlined above.

> *"Would it not be appropriate at this point for your office to consider terminating participation in this investigation and to bring in an independent prosecutorial staff, who are not so involved with the history of the personalities and circumstances of this case?"*

Mr. Coleman to Mr. Johnson, dated Sept. 20:

Thank you for your letter of September 20, 1993. The procedures proposed therein are an eleventh hour attempt to do what could and should have been done several weeks ago given some proper inducement to Mr. Hale. I previously indicated to your office that we were willing to listen to reasonable proposals other than immunity for some time, but did not receive any concrete offers. Also, I have previously indicated to Fletcher [Jackson] some time ago very definitive areas in which Mr. Hale had knowledge and also reviewed a list of names involved as well. I made it known that Mr. Hale was willing to participate in undercover operations to develop additional information regarding same. This is much like the operations in Kentucky conducted by federal authorities which I read about in the morning newspaper. That opportunity will now be lost. We remain interested in plea negotiations. I will be in touch with you later.

Ms. Casey to Mr. Coleman, dated Sept. 21:

This letter is in response to your letter dated today which you faxed to my office.

You comment that the letter you received yesterday from my office is an "eleventh hour" attempt to set forth a procedure acceptable to your client. You complain that you have not received any concrete offers. You also complain that, because it is "eleventh hour," it will be too late to go forward to pursue an undercover operation in which your client is willing to participate.

Your references are misplaced. Our letter dated September 20, 1993, merely recapitulated discussions between you and this office over the last several weeks. You have sought to delay our proceeding on the aspect of this matter currently scheduled for this session of the Grand Jury. On each occasion you have rejected any possibility that your client would consider a felony plea and you have insisted on either immunity or, at most, a misdemeanor. Moreover, you have claimed that your client can provide information and have set forth names allegedly involved. However, on each occasion that you have been requested to furnish specifics, including again yesterday, you have declined to do so. Instead, you have responded with another general assertion and self-serving contention about the lack of interest by this office.

Let me again be very clear: this office and the Department of Justice has [sic] been and remains interested and willing to obtain any and all information your client has available. However, he must provide specifics and be willing to follow through. General assertions that he knows significant information regarding "important" people serves [sic] no goal other than his understandable, but self-serving, desire to avoid the consequences of his own significant criminal conduct. As AUSA [Assistant U.S. Attorney] Jackson advised you, the charges presently being considered are only one facet of this case, and your client faces potential criminal exposure on a number of other items. It is as to those items that your client claims to have information.

Last, as to your contention that our intention to proceed with indictment of your client compromises the potential for an undercover operation, I was contacted by a reporter from the New York Times last Friday. The reporter indicated to me that he had been in contact with your client and had interviewed him extensively on Thursday regarding this "information." The reporter also showed me copies of our past correspondence which you had provided to him. I declined to comment. Your client's efforts to put this information into the public forum belies any serious willingness on his part to leave open an undercover type of operation.

In short, we remain willing to hear what your client has to offer at such time he decides that he is ready.

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DO

REVIEW & OUTLOOK

Poison, Then Recuse

Recusal is suddenly much in the news, with the disclosure that Treasury official and part-time regulator Roger Altman gave White House Counsel Bernard Nussbaum a "heads-up" about the statute of limitations. While Mr. Altman subsequently proferred a recusal in his post as head of the Resolution Trust Corp., some ask if the damage is already done.

So this is perhaps an apt moment to take a closer look at the recusal of Paula Casey, U.S. Attorney in Little Rock, from the case against David Hale. Independent Counsel Robert Fiske Jr. is now supposed to determine whether the President and Mrs. Clinton did anything wrong in their involvement with Whitewater Development Corp., but as a result of Ms. Casey's handiwork and some decisions of his own, his first priority seems bizarre. He and three assistants were in court this week to press the prosecution of the most threatening witness so far against the President.

To review the basics: Mr. Hale is a former municipal judge appointed by Governor Clinton, and also head of Capital Management Services Inc., a small-business investment company. His SBIC failed, and he is now charged with fraud; search warrants in his case were issued the morning of Vincent Foster's suicide. Among his bad loans was $300,000 to a company controlled by Susan McDougal, a Whitewater partner with her husband and the Clintons; some $110,000 of this loan ended up in the Whitewater account. Mr. Hale has told reporters that the loan to Mrs. McDougal was made at Governor Clinton's behest.

Ms. Casey was appointed U.S. Attorney in Little Rock after the incoming Clinton Administration's unprecedented action of firing all sitting U.S. Attorneys at a swoop, without replacements ready for many. She is a former campaign worker for and law student of the President.

Reprinted nearby is some pre-indictment correspondence between Ms. Casey and Mr. Hale's lawyer, Randy Coleman, concerning a possible plea bargain just prior to his indictment. We would not render any judgment on the substance of the correspondence, which must be read as the pushing and shoving typical of such negotiation. Given the experience of the insider-trading prosecutions, the Wedtech case and the like, we'd be among the last to rely on uncorroborated plea-bargain testimony. The evidence that Mr. Hale made fraudulent loans seems strong, and Mr. Coleman, clearly no fool, is trying to posture him in the best light.

Still, it could scarcely be clearer that Ms. Casey had no business in the middle of these negotiations. Mr. Hale and Mr. Coleman were being asked to deliver their evidence to a longtime associate and appointee of someone it purported to implicate. Ultimately, Ms. Casey, like Mr. Altman, found it necessary to recuse herself, as Mr. Coleman suggested early on. But by then Mr. Hale had been publicly indicted, precluding the possibility of his being wired up in an undercover investigation into, as Mr. Coleman put it, "the banking and borrowing practices of some individuals in the elite political circles of the State of Arkansas."

When Mr. Fiske arrived on the scene, he had the Hale prosecution to deal with, and decided to press it as hard as possible, filing a superseding indictment. In court arguments this week, he won a ruling that Ms. Casey's involvement with the grand jury did not automatically taint the indictment; there was no smoking gun, and she recused herself only because of appearances, etc., etc. Also in these hearings, Mr. Hale's co-defendants won a separate trial; they will be tried in June while Mr. Hale's trial will start March 28.

"We consider Hale an essential witness, and the reason we asked for a prompt trial date is that it's necessary to resolve this pending indictment before he's available to us," Mr. Fiske says. Mr. Hale has never told his Clinton story to law-enforcement officials; Mr. Fiske's court filings say it's necessary to conclude his "dual status—as witness in the overall investigation and as defendant here."

Another law-enforcement official might see no reason why the trial could not be delayed while Mr. Hale's evidence was collected and tested. His defenders of course contend he is being singled out for prosecution and punishment precisely because he threatens to implicate others, including Mr. Clinton. The best result would be a plea bargain before the March 28 date, but Ms. Casey's pre-recusal maneuvering complicates the prospects. There is now of course no possibility of using Mr. Hale to gather fresh evidence. Also, he now has the conflict-of-interest grounds on which to base a set of appeals, at the very least delaying any sentence. This of course would also delay the Whitewater investigation, probably beyond the next Presidential election.

With the trend of belated recusals undermining confidence in the regulators and the administration of justice, what's needed here is neither indictments nor yesterday's White House statement instructing officials to "bend over backward" to avoid Whitewater conflicts. What's needed is some public accountability. If Ms. Casey needed to recuse herself in November, why not September? Whose idea was it to fire all U.S. Attorneys in the first place? Our suspicion is that in the middle of it you will find Webster Hubbell, who could bend over backward by resigning. Is there anyone in Congress responsible enough to get answers to these questions?

WASHINGTON

Intelligence panel: Tighten security

A CIA-Pentagon commission reported to Congress Thursday that intelligence security needs tightening, as authorities take a closer look at the possible national security damage caused by accused CIA spy Aldrich Ames. Among concerns: not enough time spent on dangers such as "a disgruntled employee who stuffs classified documents in his or her briefcase," said commission chairman Jeffery Smith.

Documents found in Ames' Arlington, Va., home have heightened intelligence worries about the 1986-89 period he spent in Rome. Rome is one of the world's top intelligence playing fields, and the CIA's office there offered Ames a wealth of classified cables about spy operations and military secrets, authorities say. Alarms have been raised over Ames' assignment as chief of counterintelligence in the agency's Soviet division from 1983 to 1986; investigators suspect 10 or more CIA contacts in East bloc countries were executed after being compromised by Ames.

STREAK ENDS: Rep. William Natcher's unbroken record of 18,401 House votes ended, when the ailing 84-year-old missed his first vote in 40 years. Following word Natcher, D-Ky. was too ill to leave the hospital, House members honored him with a standing ovation. President Clinton visited him at Bethesda Naval Hospital, giving him the Presidential Citizen's Medal, the USA's second-highest civilian award. He was wheeled in on a gurney to vote Wednesday.



AP

NATCHER: 'Model of leadership'

BUDGET VOTE: The House Budget Committee approved a federal spending plan of $1.5 trillion for fiscal year 1995 after rejecting a Republican proposal for deeper cuts in government programs. The budget, approved 26-17 on a party-line vote after six hours of debate, closely paralleled the spending package proposed by President Clinton a month ago. Overall it trimmed $3.1 billion from discretionary spending to stay below mandated spending ceilings.

CRIME DEBATE: A Senate hearing on the Supreme Court budget turned into a debate over the push in Congress to make more crimes federal offenses. "We don't want to turn you folks into a police court," said Sen. Ernest Hollings, D-S.C. "You said the magic words — police court," replied Justice Anthony Kennedy. "We're very, very concerned that will be the effect of some of these proposals." Justice David Souter said he worries about expanding federal jurisdiction to the point of "incapaciting courts from doing what they do well now." Crime bills in both houses would raise the number of felony offenses under federal jurisdiction.

ALOHA, PENTAGON: The military's budget is shrinking, but not so much that defense contractors can't get benefits at taxpayers' expense. A federal auditor said a California firm, Sparta Inc., charged the government $230,000 to send employees to Hawaii — even after its billing practices were under question. Other companies checked by the General Accounting Office sent Uncle Sam the tab for exotic travel too, in addition to baseball season tickets, golf, a fishing boat, and $2,184 for a hospitality suite at the 1991 Tailhook convention. The GAO's David Cooper said contractors see nothing wrong with their practices: "It's a culture deeply imbedded in government contracting."

Clinton. Probe briefing an error

By Adam Nagourney
USA TODAY

President Clinton said Thursday members of his White House staff erred in getting briefed by Treasury Department officials on the Whitewater probe.

Clinton, facing a new barrage of questions about how his White House has handled the probe into the failed Arkansas land project, instructed his chief of staff to limit White House contacts with government investigators.

"As nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action," said Clinton. "But I think it would be better if the meetings and conversations hadn't occurred.

"We don't need to have any implication that we are in any way trying to manage or affect this process."

The regulations issued by chief of staff Thomas McLarty would limit discussions between Clinton aides and investigators. There have been at least three meetings involving Treasury Department officials with knowledge of the probe, including one acknowledged last week by Roger Altman, interim head of the Resolution Trust Corp., which is overseeing the S&L clean-up. Whitewater had ties to a failed thrift, Madison Savings & Loan.

Two meetings last fall, first reported in *The Washington Post*, came just after the RTC asked the Justice Department to probe possible criminal activity in the Madison case.

A meeting in late September involved White House Counsel Bernard Nussbaum and Jean Hason, the general counsel of the Treasury Department. The other involved communications director Mark Gearan and three Treasury officials.

Gearan said that meeting was to discuss how to respond to questions about the story. He acknowledged the meeting raised questions: "Everything should be conducted in the White House to avoid any appearance of impropriety."

Treasury Secretary Lloyd Bentsen told reporters he was unaware of the meetings, and asked the Office of Government Ethics to investigate.

Senior adviser George Stephanopoulos said no one did anything improper, but: "We wish they hadn't happened. They shouldn't have happened."

"You're asking for big, big trouble and showing some stunningly bad judgment when you start mixing politics with the law enforcement," Senate Minority Leader Robert Dole.

Rep. Jim Leach, R-Iowa, said he plans to sue the Federal Deposit Insurance Corp. and the RTC for failing to provide information on their Whitewater-related investigations that he's requested for months.

PROFILES OF PLAYERS

The following high-level White House and Treasury Department employees were involved in meetings to brief the White House on Resolution Trust Corp.'s investigation of the Whitewater Development Corp. and the failed Madison Guaranty Savings and Loan.



Altman

White House counsel Bernard W. Nussbaum: Hillary Rodham Clinton served with him when he was senior associate special counsel for the House Judiciary Committee impeachment inquiry regarding President Nixon. Since coming to the White House, the former New York lawyer has been involved in "Travelgate," Whitewater and bungled Justice Department nominations, among other incidents.



Gearan

Treasury Department counsel Jean Hanson: She is a lawyer who has been with the New York City firm of Fried, Frank, Harris, Shriver and Jacobson since 1976. She was not politically active, but Robert H. Mundheim, U.S. secretary of the Treasury in the Carter administration and previously co-chairman of Fried, Frank, suggested that she apply for the job.



Lindsey

White House Communications Director Mark Gearan: He served as press secretary for Michael Dukakis' presidential campaign and senior adviser for Clinton's presidential campaign.

Senior Clinton adviser Bruce Lindsey: Clinton's longtime friend and one-time law partner has been assigned to answer questions about the ongoing Whitewater-Madison affair.

Josh Steiner, chief of staff to Treasury Secretary Lloyd Bentsen: He came to Washington from the New York Public Library where he was the top aide to Timothy Healy, the library president and longtime Georgetown University president. Clinton graduated from Georgetown. Steiner's predecessor at the library was George Stephanopoulos.

Jack DeVore, former-spokesman for Bentsen: Served as the former Texas senator's spokesman for 21 years. Left the administration in the fall to work in private consulting.

Deputy Treasury Secretary Roger C. Altman: Also is acting head of the Resolution Trust Corp.

Deputy Chief of Staff Harold Ickes: Ickes, a New York lawyer, met Clinton more than 20 years ago in the anti-Vietnam War movement. He engineered Clinton's New York primary win and managed the New York Democratic convention that nominated Clinton.

Margaret A. Williams, Chief of Staff to Hillary Rodham Clinton: She has been associated with the first lady since 1984, when she was communications director at the Children's Defense Fund. She served as press deputy for the Democratic National Committee and was Clinton's 1992 presidential campaign.

The Washington Times

PRIVATE BRIEFINGS

The White House said yesterday that contacts between President Clinton's staff and Resolution Trust Corp. workers investigating the Whitewater-Madison affair should not have occurred. A history of the White House-RTC meetings:

Late September — White House Counsel Bernard W. Nussbaum meets with Treasury Deputy Counsel Jean Hanson to discuss the naming of President and Hillary Rodham Clinton in the RTC's probe of the failed Madison Guaranty Savings and Loan.

Late October — An RTC-White House meeting includes Nussbaum; White House Communications Director Mark Gearan; Senior Adviser Bruce Lindsey; Hanson; Josh Steiner, now chief of staff to Treasury Secretary Lloyd Bentsen; and then-Bentsen spokesman Jack DeVore.

Early February — A meeting called by acting RTC head and Deputy Treasury Secretary Roger C. Altman in Nussbaum's office includes Deputy Chief of Staff Harold Ickes and Margaret A. Williams, chief of staff for Mrs. Clinton.

Feb. 10 — Nussbaum tells three House members in a letter that the only Whitewater- or Madison-related issues being handled by White House aides are congressional and media questions.

Feb. 25 — Altman reveals in a Senate hearing that he held a meeting in early February at the White House to go over an RTC investigation of Madison Guaranty Savings and Loan.

Feb. 26 — Altman recuses himself from RTC work on Madison or the Whitewater Development Corp.

Monday — Senate Minority Leader Bob Dole demands congressional hearings into the meetings.

Tuesday — Sen. Alfonse D'Amato, New York Republican, joins the call for congressional hearings. Rep. Jim Leach, Iowa Republican, calls for an ethics investigation. White House spokeswoman Dee Dee Myers says nothing improper occurred at the meetings.

Wednesday — The White House acknowledges that Nussbaum and Treasury officials met twice last year to discuss the RTC probe of Madison.

Yesterday — The White House flip-flops and says that the meetings were improper.

The Washington Times

FRIDAY, MARCH 4, 1994 The Washington Times

S&L cases earn Rose firm $1 million and counting

ASSOCIATED PRESS

The Rose Law Firm, where first lady Hillary Rodham Clinton used to work, has received 22 government contracts in savings and loan cases since 1989, reaping more than $1 million, according to billing records examined by the Associated Press.

The S&L cleanup contracts include one for a failed thrift at the center of special counsel Robert B. Fiske Jr.'s investigation into the first family's business dealings.

The law firm's work has yielded at least $1.27 million, the records show. If it is paid the full amount budgeted for its remaining cases, the firm will make at least another $600,000.

The work awarded to the Little Rock firm, one of Arkansas' oldest and most prestigious, has generally involved helping regulators pursue thrift officers and others they believe to be responsible for S&L failures in Arkansas.

All but one of the contracts has come from the Resolution Trust Corp. (RTC), which Congress created in 1990 to take over the S&L cleanup from the Federal Deposit Insurance Corp.

Most cases were handled by lawyers other than the firm's "Famous Four" — Mrs. Clinton, Associate Attorney General Webster Hubbell, the late White House Deputy Counsel Vincent W. Foster Jr. and White House lawyer William Kennedy.

According to the billing records, Rose lawyers have charged the government from $75 per hour for junior associates' work to $140 an hour for senior partners' work.

The rates are modest when compared with billings from firms in bigger cities such as New York, where hourly fees can be $200 or higher.

The firm's most lucrative government deal came in 1989 when the FDIC hired Mr. Hubbell to represent the government in a lawsuit involving Madison Guaranty Savings and Loan Association, a failed Arkansas thrift that has engulfed President Clinton in controversy.

Rose was hired to sue Madison's former accountants for negligence. Mr. Hubbell settled the $10 million suit for $1 million, less than the insurance coverage held by the accounting firm, Frost and Co.; his work earned the Rose firm about $400,000.

Throughout the Whitewater-Madison controversy, the Rose firm has been under scrutiny.

The latest twist came this week when Mr. Hubbell acknowledged being questioned recently by the firm about some bills for his work, including RTC cases.

A published report said the firm was trying to determine whether its former senior partner had overcharged clients or billed the firm for personal expenses. Mr. Hubbell denied any wrongdoing and said he was helping the firm locate documentation to back up his bills.

The billing records show Mr. Hubbell as the supervising lawyer in three federal S&L cases. In two, the RTC questioned Rose's billings and rejected several small charges as excessive.

One case involved the failure of First Savings of Arkansas, for which the Rose firm estimated its work would cost $173,400.

According to the records, the RTC rejected nearly $1,400 in billings: $490 for "Travel at Full Rate," $222 for "unauthorized fees," $215 in "Inappropriate Attorney Services," $200 in fees for incomplete documentation, $140 in duplicate billings from different lawyers for the same work, $110 in excess paralegal costs, $16.26 in miscellaneous expenses and 20 cents for copying.

In a case involving the failed American Home Savings and Loan Association, the RTC rejected about $300 in charges, most for travel expenses.

It is not unusual for the government to disallow some billings from private firms.

The records also show that when Mr. Hubbell worked for the government, he charged $140 an hour. His normal rate was $185.

The $140 hourly figure is the same charged by other senior Rose partners who have worked with the RTC, including Richard Donovan, the firm's current liaison for S&L work.

Late last year, it was revealed that before Rose worked for the government in 1989, the firm, including Mrs. Clinton, represented Madison before state regulators.

Mr. Hubbell's father-in-law had extensive financial dealings with the S&L and served as an officer for its real estate subsidiary.

The FDIC investigated whether Mr. Hubbell had adequately notified federal regulators of the potential conflicts.

That investigation cleared the firm of wrongdoing, but Republicans in Congress successfully demanded a second review.

Meanwhile, questions about the Clintons' Whitewater real estate venture and their other dealings with Madison's owner, James B. McDougal, prompted Mr. Fiske's independent investigation.

The investigation will look into Mr. Foster's death in the summer. Mr. Foster was working on Whitewater matters for the Clintons when he was found dead in a Fairfax County park. Police ruled the death a suicide.

Mr. Fiske also is investigating charges that the Rose firm shredded Whitewater documents. The firm has strongly denied those accusations, and some Rose employees have hired an attorney.

National Review gets economist Kudlow

By Patrice Hill
THE WASHINGTON TIMES

Lawrence Kudlow, a former top Reagan policy-maker and much-quoted economist on Wall Street, has decided to train his sights on Washington again.

Mr. Kudlow said in a brief interview yesterday that he is quitting his position of the last eight years as chief economist of Bear Stearns & Co. to become economics editor of the National Review starting Monday. There, he will devote more of his time to "political economics."

Having worked as a reporter for CNN's "Business Morning" program, Mr. Kudlow said he recently has been "evolving more and more toward journalism again." He said he will continue to appear on the weekly CBNC show "Strictly Business."

Concerned about recent trends toward higher taxes and regulation under both the Bush and Clinton administrations, Mr. Kudlow said he intends to start speaking out more on such issues.


Kudlow

President Clinton's health care reform plan — which he said represents a government takeover of the trillion-dollar health care sector — would be an "enormous mistake" that "might cause long-term damage to the economy," Mr. Kudlow said.

In his National Review columns Mr. Kudlow said he will stress "the need to create free-market competition and maximum individual choice" as an essential part of any health care reform plan. He says he personally favors the creation of medical savings accounts, which would be like tax-free individual retirement accounts for medical needs.

Other trends in Washington Mr. Kudlow said disturb him are President Clinton's "leanings toward protectionism" and the possibility of a softer inflation policy if Mr. Clinton appoints two left-leaning governors to upcoming vacancies on the Federal Reserve Board.

One of the few self-described believers of "supply-side" economics, Mr. Kudlow made his mark on Wall Street by combining sharp political commentary with his economic analyses. Last year, he surprised his colleagues by appearing in television commercials in the New York area promoting Cadillacs and other General Motors Corp. luxury cars.

National Review founder William F. Buckley Jr. hailed Mr. Kudlow as the "Cadillac of economic commentators." Review editor John O'Sullivan said Mr. Kudlow will "greatly strengthen our coverage and commentary on business and economic issues, and the ups-and-downs of Clintonomics."

FRIDAY, MARCH 4, 1994 The Washington Times

Pruden on Politics

By Wesley Pruden

The nightmare on Pennsylvania Avenue

You have to get off the porch if you want to run with the big dogs, and there's nothing like the prospect of fresh meat to send old yellow hounds racing to the back yard.

This is not one of those fraudulently authentic quaint Arkansas sound bites Bill Clinton manufactured for the '92 campaign, but the president knows better than anyone else that a lot of people who were saying only a few days ago that there's nothing to Whitewater aren't any longer saying that.

Suddenly even The Washington Post, which slept through wake-up call after wake-up call sent through the courtesy of The Washington Times, the editorial pages of the Wall Street Journal and the New York Times, the Los Angeles Times, and even the Washington bureaus of London's Sunday Times and Sunday Telegraph, is suddenly wide awake.

Post's revelations this week of suspected chi- by Webb Hubbell at the Rose Law Firm, even felonious chicanery, put meat on the bones of at least one and, who knows, maybe all four of the Rose skeletons that Bill Clinton brought with him to Washington.

Mr. Hubbell, the attorney general-in-fact, may be perfectly innocent of this particular scam, of padding the bills of the Rose firm's government clients by overbilling and charging clients for his own pleasures, but he can't argue with the fact that his old firm is looking into his ethics (as well as his expense accounts and credit card slips).

Given the imaginative ethics of the Clinton administration, the first reaction of a lot of people, particularly in Arkansas, was that Messrs. Clinton and Hubbell themselves cooked up this Rose internal investigation as a diversionary tactic, to fuzz the focus of the Whitewater investigation and get the heat off the White House.

But no, surely not even Mr. Clinton's powers of persuasion could persuade his pal Webb to shoot himself. (We're supposed to believe Vince Foster did.) It's the worthies at Rose themselves who are haunted by the prospect that past professional indiscretions of Webb — and maybe Hillary and Vince Foster — could even now pull down the firm, leaving dozens of innocent reputations in tatters and ruin.



Hillary Clinton

Hence what one White House insider calls "the blind panic" at the big house on Pennsylvania Avenue — and growing guilt and consternation in many newsrooms, where for months and months there has been a consensus that Whitewater was a figment of ideological imagination. The Little Rock press is particularly sheepish: They had 12 years to look at what Bill and Hillary were up to, and never saw a thing.

Newspapers, like all institutions, reflect the customs and instincts of their communities, and even though Little Rock's two newspapers — the liberal Gazette and the conservative Democrat — were in a war (only the Democrat survived), Mr. and his friends were never examined with a skeptical and disinterested eye. In the land of the blind the one-eyed man is king, and maybe nobody saw anything funny. Nobody smelled it, either.

Robert S. McCord, a decent and kindly man who was a senior editor of the Gazette before it sank, scolds the nosy reporters who won't follow the old and meek Little Rock example in the current issue of the Bulletin of the American Society of Newspaper Editors.

"Ever since I became a newspaperman more than 40 years ago," he writes, "politicians have been saying that newspapers maligned politicians to the extent that public offices no longer commanded respect and qualified persons were reluctant to seek them. For the first time, I believe it. The country may have more to fear from the baby-boomer journalist than the baby-boomer politician."

Alas, this is exactly the treacly sentiment that frightened publishers, indifferent editors and lazy reporters want to hear, and for a long time Bill and Hillary could count on either indifference or idolatry from the press here. They got by with stuff in the Cotton States League, so why nc in the National League?

Now they profess to have got religion at last, that at last they understand that even presidents aren't supposed to be above the law, and promise they won't try again to cook the Whitewater investigation by misplacing documents, stonewalling Congress, and conducting cozy private negotiations between the dog and the fox.

But it may be too late. The president can send out for new ethics, he can dump an attorney general-in-fact. But how do you dump a first lady?

Embassy Row

The French ambassador couldn't have been kinder. He praised the United States, congratulated the United States, compared the United States to France as champions of the "universal message" of individual rights.

Only three weeks earlier, French and American diplomats had been hurling insults across the Atlantic. In late January, State Department spokesman Mike McCurry tweaked the French in his now-famous phrase, "a strange moral calculus," to describe Parisian attempts to persuade Washington to pressure the Muslim-led government in Bosnia into accepting a European peace plan that would carve up the country.

In response, French Foreign Ministry spokesman Richard Duque insisted Paris is, too, "talking on a moral level" and dismissed Mr. McCurry's comment as "polemics" on a "grave subject."

Apparently the French envoy to the United States was left to repair the diplomatic damage. Ambassador Jacques Andreani, in a Feb. 10 speech in Miami, reminded his audience that both countries will mark the 50th anniversary of the U.S.-led D-Day Invasion in June. President Clinton will travel to Normandy for the celebration.

Mr. Andreani talked of the importance of U.S. involvement in Europe and of European failure to deal with the Bosnian war. He spoke the day after the United Nations and NATO set a deadline for the Serbs to withdraw artillery from Sarajevo.

The ambassador said World War II "brought us both a lesson and a reason for hope" that the United States would never again withdraw from Europe.

"We believe," he said, "that U.S. political commitment, rendered credible by its military presence on European soil, remains a crucial component of European stability."

Later, with French flair, he said, "I'm pleased to underscore one important fact: My country and yours . . . look at themselves as the bearer of a universal message . . . that extends beyond nations and states, beyond races and ethnicities, beyond ages and continents.

"This messge is about the inalienability of human rights and the primacy of the individual . . . about the balance of power and democracy, about freedom and the rule of law."

Not a word was mentioned about calculus.

Mr. Clinton this week nominated David M. Ransom, a career Foreign Service office, to be U.S. ambassador to Bahrain.

Mr. Ransom, who joined the State Department in 1965, has served as deputy chief of mission at the U.S. Embassy in the United Arab Emirates and as a country director for southern Europe and for the Arabian peninsula.

The South African Embassy is trying to get the word out to about 100,000 South Africans in the United States that they are eligible to vote in their country's first non-racial election, which will usher in a post-apartheid era for the troubled nation.

The embassy this week emphasized that it is conducting a nonpartisan publicity campaign throughout the United States to inform South Africans about the April 26-28 elections.

While voters in South Africa will vote over a three-day period, voting outside the country will take place only on April 26 between 7 a.m. and 7 p.m. No provision has been made for postal votes. Voters in the United States will have to personally cast their votes at polling booths at locations to be announced by the Independent Electoral Commission, the electoral authority in South Africa.

All South African citizens aged 18 years or older are eligible to take part in the elections. South African citizens in the United States, including those who are permanent residents in the United States, can vote in the election as long as they have retained their South African citizenship and their South African passports or other identity documents, are valid.

DIPLOMATIC DIARY

Today

■ **6:30 p.m. — Lecture —** Ambassador Madeleine K. Albrig the U.S. representative to the United Nations, speaks at the National Museum of American History. 12th Street and Constitut Avenue NW. Contact: 202/357-4335.

■ **7:30 p.m. — Concert —** The Chilean ensemble, Quilapayun, performs a free concert. The OA Building, 17th Street and Constitution Avenue NW. Contac 202/458-3000.

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

FRIDAY, MARCH 4, 1994 The Washington Times

PAUL CRAIG ROBERTS

Risky tactic for Whitewater inquiry?

Whitewatergate special prosecutor Robert B. Fiske, Jr. is too experienced a lawyer to be making such a big mistake. He is damaging the credibility of a key witness in the Whitewater scandal by trying the witness first before questioning him about President Bill Clinton's role.

The witness is David Hale, a former Arkansas judge who has been indicted for Small Business Loan fraud. Mr. Hale has information about Mr. Clinton's role in possibly illegal financial dealings. Mr. Fiske himself has said that in order to investigate Whitewater allegations against Mr. Clinton, "it is imperative that we interview defendant Hale or compel his testimony." Mr. Fiske went on to add: "This cannot be done until the present case [against Hale] has been resolved."

Perhaps Mr. Fiske is simply caught up in the traditional dirty tactics of prosecutors and isn't thinking. When a defendant has knowledge that bears on a case other than his own, prosecutors prefer first to convict the defendant and then to question him prior to sentencing. Since the prosecutor's recommendation will affect the length and severity of his sentence, the witness can be squeezed to tell the prosecutor what he wants to hear.

Harvard law professor Alan Dershowitz has noted that this squeeze tactic allows prosecutors to enlist perjury in pursuit of other defendants. By prosecuting the witness first before hearing what he has to say and holding the sentence over his head like the sword of Damocles, prosecutors can get the squeezed witness not only to sing, but also to compose.

We certainly do not want President Clinton to join the long list of Americans who have been implicated by squeezed witnesses. But, of course, we don't know what Mr. Fiske's motives are. Perhaps he wants the squeeze hold on Mr. Hale in order to compel exonerating testimony.

The Whitewatergate allegations swirling around the first couple, and their suspicious behavior in purloining files from a dead man's office and lying about it, are far more serious for the country than the prosecution of a small-timer for petty loan fraud.

To prevent questions from arising about the truth of Mr. Hale's Whitewater testimony, and to dispel questions about his own integrity, Mr. Fiske must drop the current prosecution of Mr. Hale, immunize him, and put him on the stand about Whitewater. Mr. Hale's testimony will be a lot more credible, whether it implicates or exculpates Mr. Clinton, if Mr. Fiske is in no position to squeeze him.

Giving Mr. Hale immunity will make it difficult to successfully prosecute him on the loan fraud charge. However, we have to decide what is more important: putting Mr. Hale away for small business loan fraud or getting to the bottom of Whitewatergate.

Nothing is more important than the integrity of the process by which a sitting president is investigated. If Mr. Hale gives exonerating testimony about Mr. Clinton after Mr. Hale is convicted, but before he is sentenced, there will be screams of bought testimony and coverup. Mr. Fiske should not risk the perception of his own integrity on such an outcome.

If, on the other hand, the public perceives that Mr. Fiske squeezed implicating testimony out of Mr. Hale, it will discredit the entire Whitewater investigation.

Mr. Fiske might contend that he doesn't intend to question Mr. Hale until after he is sentenced, but this, too, raises questions about Mr. Fiske's motives. It permits partisans to impugn the credibility of a convicted jailbird, who can be described as "embittered."

The Whitewater allegations are very serious. We must get to the bottom of them. If a significant percentage of the public comes to the belief that we are governed by a crook, cynicism will poison the political system. To maintain public confidence in our system as well as confidence in his own integrity, Mr. Fiske must not jeopardize the credibility of the testimony of a key Whitewater witness by putting Mr. Hale in the classic prosecutorial squeeze.



Paul Craig Roberts, a distinguished fellow of the Cato Institute, is a columnist for The Washington Times and is nationally syndicated.

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It's not 'appearances,' Mr. President, it's conflict

"As nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action," said Bill Clinton yesterday, bobbing and weaving his way around the most recent break in the Whitewater levies. Mr. Clinton apologized for the naughty "appearances" and assured the nation that his staff from now on "will be much more sensitive." Pretending the affair was all wrapped up, Mr. Clinton said, "I don't think there will be further problems."

The president can certainly hope. But the problems he already has are not about to go away. Nor are these problems about mere "appearances." The president admitted yesterday that senior Treasury Department officials have been having pow-wows with top White House officials. Discussed was the progress of the Resolution Trust Corp.'s investigation into the failed Arkansas Savings and Loan tied to the Clinton's land dealings. These Treasury officials are involved in the running of the RTC, an independent agency that is currently without a head. As revealed yesterday in The Washington Post, Treasury's general counsel, Jean Hanson, passed on confidential information about the RTC's criminal referral on Madison Guaranty Savings & Loan. In the referral the RTC asked the Justice Department to investigate criminal wrongdoing at Madison, and named the Clintons as objects for inquiry (without actually accusing them of wrongdoing).

This would be bad enough if it weren't for the fact that the details were related to Bernard Nussbaum, the White House counsel. This is the same Mr. Nussbaum who has been accused of being involved in some sort of Whitewater coverup; the same Mr. Nussbaum who secretly removed Whitewater files from the White House office of Vince Foster before they could be discovered by FBI agents investigating Mr. Foster's death; the same Mr. Nussbaum who recently met with deputy Treasury secretary and acting RTC chief Roger Altman for a Madison Guaranty update.

Mr. Altman has already admitted that that meeting — at which Jean Hanson was also present — showed "bad judgment," and has recused himself from any other Whitewater matters. But the interest of the attendance roster does not stop there. Mr. Altman's meeting with the Clinton team included not only Mr. Nussbaum but also deputy chief of staff Harold Ickes and Hillary Clinton's top aide, Margaret Williams. Ms. Williams is no stranger to Whitewater funny business. As The Washington Times' Jerry Seper first reported, she was another Clinton staffer in on the Foster files search after his death.

Nor was this meeting some kind of isolated indiscretion. Feeding the White House inside information on the Whitewater investigation was a recurring practice at Treasury, involving the repeated involvement of several of the department's key political officials.

As much as the White House may try, no one is buying the argument that this sort of insider legal trading is just a matter of "appearances" of the sort Mr. Clinton has promised to rectify. What matters is behavior. The behavior of Clinton administration officials, both in the White House and at Treasury, calls for thorough investigation. No doubt special Whitewater counsel Robert Fiske Jr. will look into this fiasco. But if 12 years of precedent about the threshold of executive branch misconduct required for Congress to take notice has any meaning, there is need for the congressional investigation being demanded by Republicans in both houses. The fear of tough questioning in front of a Capitol Hill panel is just what would have made Mr. Altman and his assistants think twice before jumping into the Whitewater quagmire. The Democrats' persistent abdication of their investigative and oversight responsibilities when it comes to questions of Mr. Clinton's behavior has emboldened administration officials to engage in actions that reek of coverup.

A visitor from Ukraine

The meeting that takes place at the White House today between President Clinton and Ukrainian President Leonid Kravchuk could easily have taken place under happier circumstances. Oksana Baiul's gold-winning performance at the Olympics is indeed one of the very few things Ukrainans have to cheer about these days. But even with Mr. Kravchuk a beleaguered leader and a lame-duck president, it is an important meeting. Ukraine is a central piece in the puzzle of the former Soviet Union; its success or failure as an independent republic will have a large impact on the future of Russia, the other republics — and Europe as well.

As of now, one would have to admit, the future does not look too promising. The Ukranian parliament is not very happy with the agreement on nuclear weapons concluded during Mr. Clinton's mini-state visit to Kiev in January and has not even ratified the Nuclear Non-Proliferation Treaty. And President Kravchuck, who led Ukraine to independence, is stepping down in a few months (presidential elections are scheduled for June). The current political scene — dominated by communist apparatchiks, state managers and hard-line nationalists — is not likely to produce pro-reform candidates. The Ukrainian currency is now so worthless that at Christmastime last year, people used it to trim their trees. At the time of its independence, Ukraine boasted it would pursue a "third way" between capitalism and socialism, which would allegedly minimize the trauma of social change. State subsidies for factories in the Tyrannosaurus Rex class keep flowing freely and drove inflation to an insane 6,500 percent in 1993.

And add to these problems the crisis looming in the Crimea, the largely Russian-populated peninsula that Nikita Khrushchev somewhat nonchalantly gave to Ukraine as a reward for good behavior. The Crimeans recently elected as their leader a hard-line Russian nationalist Yurii Meshkov, whose campaign platform consisted mainly of the promise to reunite the Crimea with Russia. It is an issue that contains the potential for armed conflict between Ukraine and Russia. Ukrainian nationalist extremists, for their part, have threatened to blow up the nuclear power plants sooner than accept Russian dominance. Maybe a crazed thought, but certainly not a happy one for Ukraine or its neighbors.

At the same time, our relations with Russia have clearly entered a more complicated phase. Russia's growing international assertiveness, the political muscle exerted by Russian hard-liners and the Ames spy scandal add up to a wake-up call. Russia and the United States are hardly international "partners," but will remain, at some level, natural competitors — as Alexis de Tocqueville predicted. Ukraine may be a basket case, but is a country with great resources and potential.

It remains in our interest to see it emerge as a counterbalance to Russia in Eurasia. It way well be that our efforts to make Ukraine relinquish its nuclear weapons will be counterproductive in that sense. Instead, let's encourage, as best we can, economic measures to rescue Ukraine from the sinkhole of economic collapse.

bc-whitewater times - a1749
(ATTN: National editors) (Includes optional trims)
Whitewater: Clinton Concerned Over Appearance of Impropriety (Washn)
By David Lauter and James Risen= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton said for the first time Thursday he was concerned about the appearance of impropriety stemming from meetings between White House and Treasury Department officials on the Whitewater affair.

The statement came as as Treasury's second-ranking official cut all ties to the continuing investigation and the White House, hearing growing cries of ``cover-up'' from congressional Republicans and others, stepped up damage control efforts to try to keep Whitewater from blowing up into an uncontrolled political problem once again.

As those efforts continued, pressure built on the White House official who has direct responsibility for avoiding ethical lapses
White House counsel Bernard Nussbaum. Despite widespread speculation inside the White House and on Capitol Hill, officials denied reports that Nussbaum intended to resign, saying such rumors were premature.

But two officials conceded that Nussbaum has been widely blamed for [illegible]nton's renewed difficulties. ``Nussbaum may be a smart guy,'' said one [illegible]er administration official familiar with the Whitewater issues. ``But [illegible]s tone deaf.''

Senate Republicans, seeking to keep Whitewater alive, called for an investigation into the meetings between White House and Treasury officials and threatened to hold up confirmation of the administration's choice for a senior banking regulatory position unless hearings were held.

Deputy Treasury Secretary Roger Altman met last month with three White House officials to brief them on a Whitewater-related investigation by the Resolution Trust Corporation, of which Altman is the acting director. The investigation involves Clinton and his wife, Hillary Rodham Clinton.

Senior administration officials said Thursday Altman will officially remain the RTC's acting director until the end of this month but has now canceled all RTC-related meetings and activities.

Last fall, Treasury officials held two other meetings with White House aides to discuss Whitewater-related matters. Officials at Treasury and the White House insisted those meetings involved nothing other than efforts to respond to inquiries from reporters.

Thursday afternoon, Treasury Secretary Lloyd Bentsen issued a statement saying he had ordered Treasury officials to have no further contact with the White House about Whitewater-related issues and had asked the independent Office of Government Ethics to examine the earlier meetings ``to ensure that [illegible]ethical guidelines were followed.''

[illegible]he administration containment effort started with Clinton, who, in sharp contrast with his recent practice, gave reporters a lengthy answer when asked about whether he was concerned about the appearance of improprieties in the case.

``The answer is yes, I'm concerned about that,'' he said. ``As nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action, but I think it would be better if the meetings and conversations hadn't occurred.''

Noting the several investigations of Whitewater-related affairs, Clinton said ``it's very, very important that while all this is going on, that the activity around it should be handled in such a way as to avoid even the appearance of a conflict,'' Clinton said. ``In addition to what the rules are, what I want the people here to understand is never mind what the rules are, bend over backward to avoid the appearance'' of a problem.

Clinton's remarks were in sharp contrast to earlier statements by him and top aides on Whitewater. Until Thursday, they had brushed aside complaints about appearances, insisting that because no one has been proven to have engaged in wrongdoing, allegations about appearance problems were simply politically motivated.

That earlier approach remained at the Justice Department, however, where Attorney General Janet Reno dismissed questions about associate attorney general Webster Hubbell, a longtime Clinton friend from Arkansas. The Washington Post reported earlier this week that Hubbell's former law firm, the Rose Law Firm of Little Rock, Ark., was investigating allegations that Hubbell had overbilled clients. Hubbell has denied any overbilling.

Reno gave Hubbell a strong vote of personal confidence, saying: ``I have been extraordinarily impressed with his honesty, his candor, his professionalism and the sacrifices he's making to serve the American people.

``He advised me that he had not overbilled or done anything wrong,'' Reno said. ``At this point, I have no substantiated information that Mr. Hubbell is doing has done anything wrong.''

But Reno said she had not asked anybody in the department to look into the matter. ``At this point, all I know is that some unnamed source says that the law firm is looking at allegations of wrongdoing,'' Reno said. ``All I know from substantiated sources of any kind is that the law firm is reviewing the matter, they've asked Web questions, he's answering the questions and they're resolving partnership issues.''

(Optional add end)

Whether either Hubbell or Treasury officials have actually done anything wrong remains in considerable doubt. In Hubbell's case, for example, a former senior partner at the Rose firm said Thursday he had heard no indication of overbilling by Hubbell or of an actual ``investigation'' by the firm.

Administration officials close to Hubbell insist, as well, that only a handful of bills are under review by the Rose firm and that no single item among them is more than $400.

As for the Treasury meetings, interviews with several officials appeared to substantiate the assertion that the two meetings last fall were designed simply to respond to a press inquiry, not to influence the investigation.

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Newsday
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Clinton Cautions Staff

Warns aides to avoid conflicts of interest in Whitewater probe

By Martin Kasindorf
WASHINGTON BUREAU

Washington — President Bill Clinton, hit with protests about private briefings his aides received from federal regulators on the confidential Whitewater investigation, said yesterday that the White House will "bend over backwards" to avoid future appearances of improper influence.

Treasury Secretary Lloyd Bentsen, emphasizing that he didn't attend any of the three meetings between Treasury officials and Clinton staffers, "nor was I informed about these meetings," announced that he was asking the independent Office of Government Ethics to investigate the controversial briefings.

In a televised interview, White House Communications Director Mark Gearan said he had no advance knowledge of Bentsen's move. But an aide to Bentsen said it was not intended as "a rebuke to the White House."

Republicans, however, *did* rebuke the White House, weighing in with new questions about the political independence of the Resolution Trust Corp., the federal entity handling the $47-million collapse of Madison Guaranty Savings and Loan. The failed Arkansas thrift's owner, James McDougal, had business ties to Clinton and his wife, Hillary Rodham Clinton.

Sen. Alfonse D'Amato (R-N.Y.), backed by Senate Minority Leader Bob Dole (R-Kan.), took steps to block a floor vote on a key administration nominee until Senate Democrats hold hearings on the Whitewater briefings.

Bill Clinton, insisting that nothing wrong was done in the meetings, said he wants no impediments to the complex Whitewater investigation being conducted by a special counsel appointed by Attorney General Janet Reno.

"Nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any

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government action," Clinton told reporters asking about the meetings. "But I think it would be better if the meetings and conversations hadn't occurred."

White House Chief of Staff Thomas (Mack) McLarty issued a memorandum providing "guidelines" on staff contacts with agencies investigating Whitewater. The policy, as Clinton outlined it: "Never mind what the rules are, bend over backwards to avoid the appearance" of conflict of interest.

The controversy began last week, when Deputy Treasury Secretary Roger Altman, responding to a question from D'Amato at a Senate committee hearing, revealed that as acting head of the RTC, he briefed White House officials last month on how the agency would deal with an approaching legal deadline for filing civil claims resulting from Madison's failure.

Altman's meeting was with White House counsel Bernard Nussbaum and two aides D'Amato called "political operatives": Deputy Chief of Staff Harold Ickes, and Hillary Clinton's chief of staff, Margaret Williams.

White House officials confirmed a Washington Post report yesterday of two earlier meetings.

In September, Treasury Department General Counsel Jean Hanson told Nussbaum that the Clintons, although not accused of criminal conduct, were named in a "criminal referral" of the Madison matter by the RTC to the Justice Department. Criminal referrals are highly confidential government documents, seldom if ever shared with people figuring in investigations.

In October, the White House confirmed, Hanson and two other Treasury aides discussed press inquiries about the criminal referral with Gearan and Bruce Lindsey, the senior White House aide handling communications on Whitewater and Madison.

D'Amato, gathering 43 Republican senators' signatures, sent a letter Wednesday to Senate Majority Leader George Mitchell (D-Maine), pledging to block a vote on Clinton's nominee for the Federal Deposit Insurance Corp. chair until the Senate Banking Committee holds a hearing on the Altman meeting at the White House. The letter was dispatched before the earlier two meetings were publicly known. D'Amato also threatened to block an administration banking regulation reform bill.

The private briefings, D'Amato told a Capitol Hill news conference with Dole at his side, typified a White House "pattern of deception" on Whitewater.

Reno, at her weekly news conference, said she knew nothing about the Treasury-White House contacts and wouldn't comment.

Charles V. Zehren contributed to this story.

Clinton's Health Alliances Under Fire

By Dena Bunis
STAFF CORRESPONDENT

Washington — Liver transplant recipient Robert Fasano thought he was home free when his wife, Susan, took a job that came with health insurance.

Even after waiting a month for the coverage and finding out that the company had switched to a managed-care plan, Fasano wasn't worried because the plan had a clause that let him choose the doctors he wanted.

But last month the couple's security was shattered. With two weeks notice, the Manhattan firm switched again, this time to a health plan that restricted Fasano's choice of doctors. Now Fasano has to fight to get the plan's permission to see specialists he trusts to look after his post-transplant needs.

"If there was an alliance like what the president wanted, this wouldn't be happening to me," said Fasano.

Alliances, purchasing cooperatives designed to put large numbers of people in pools so they can buy health insurance cheaper and have a wide choice of plans, are one of the basic building blocks of President Bill Clinton's health proposal. But Clinton's alliances are in trouble. As Capitol Hill lawmakers begin to sift through the myriad issues surrounding health reform, it became clear last week that alliances, assailed as unneeded bureaucracy, could be an early casualty of the legislative process.

Clinton acknowledged yesterday that they might not survive. In a televised interview, he was asked why people couldn't continue to get their health insurance as most do now — through their employers — and why a special pool couldn't be created for the nearly 40 million uninsured.

"That may be the way this thing comes out," Clinton said. But Clinton maintained that he still believes large cooperatives would be the best way for businesses, especially smaller ones, to get bargaining power with the insurance companies. "You're going to have to have some way to protect the little guy," he said.

"I thought the president was pretty flexible in what he was saying," said Sen. John Chafee (R-R.I.), as Republicans prepared to go to Annapolis, Md., to try to resolve their own differences on the issue.

Even if the alliances survive in some form, the Fasanos might find themselves without them because key New York health officials already have made up their minds that the Empire State probably could do

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just fine without these new entities.

"I think the mainstream in New York was already moving in a direction where the alliances were less likely to have a major role in New York even if they existed," says James Tallon, president of the United Hospital Fund in New York City and a member of the governor's health-care task force. "That's one of the main reasons New York policy people were arguing for state flexibility."

Health alliances, say the Clinton administration, are the ideal entities to enforce cost controls, ensure consumers have a broad choice of health plans and make sense out of what the administration says is a chaotic insurance system.

But opponents say alliances are not needed to solve the problems of access to insurance.

"The polls show the American people want a second opinion," said Senate Republican Leader Robert Dole (R-Kan.), who will be a key player as Congress begins to carve a health bill from a number of alternatives.

The pivotal alliance issues involve whether they should be mandatory, as Clinton proposes, or voluntary, as several more modest reform plans prefer. Clinton would place all Americans — except those who work for companies with more than 5,000 employees — into alliances. Others propose voluntary alliances, which would help small businesses and individuals who buy their own insurance.

In New York, officials have for months voiced skepticism over Clinton's alliances.

"Isn't there a way of making use of what we have already, without creating a new set of untried bureaucracies, that will allow us to implement universal coverage in a more efficient way?" asked state Health Commissioner Mark Chassin.

New York already has some of the heaviest insurance regulations of any state, controlling hospital rates, the number of hospital beds and determining which hospitals are allowed to do such expensive procedures as open-heart surgery.

And last spring, a state law went into effect that forbids insurance companies to refuse to sell policies to people with certain illnesses, dropping them if they get sick or refusing to cover a pre-existing condition. The law also forces insurers to set rates based on the health experiences of an entire community, not just those in a particular employer group. Many suggest that the cost controls envisioned in the Clinton plan could be accomplished by the state.

Clinton administration officials and consumer groups suggest, however, that despite New York's regulations, consumers are still not in the driver's seat when it comes to choosing health plans.

Moreover, alliance supporters say that now, employers decide which plans workers have to choose from. And increasingly, the quest for lower costs has led employers to narrow or eliminate choice.

Chassin, who co-chairs Gov. Mario Cuomo's task force on health, said there is a legitimate concern over whether there is some way to ensure consumer choice as opposed to employers having total control. "I'm just not sure an alliance structure vested with all of the trappings that the president's plan has is the only way."

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Clinton treading water over S&L gaffe

By KAREN DE WITT
News Washington Bureau

WASHINGTON — President Clinton made a rare mea culpa yesterday on the handling of the Whitewater controversy as the White House suddenly found itself short of defenders on Capitol Hill.

"You'd have to be stupid to go out and defend the President — nobody has the facts," said one Democratic Senate aide. "There's a frustration. Why can't the White House put this behind them? Why can't they deal with this?"

Not one Senate Democrat agreed to a CNN request to discuss Whitewater against Sen. Al D'Amato (R-N.Y.). And at a Senate Banking Committee hearing — where D'Amato announced he and other GOP senators would hold as hostage Clinton's pick to head the Federal Deposit Insurance Corp. until more Whitewater hearings are allowed — Democrats were unusually quiet.

Since last week — when Democrats were quick to scold D'Amato about GOP politicking on Whitewater — the ground appears to have shifted because of revelations that the White House got not one, but three secret briefings on a criminal probe of a failed savings and loan with ties to the Clintons' Whitewater land venture in Arkansas.

That discovery prompted the White House to spin into high-gear damage control and hand down a Clinton-ordered edict banning any more secret briefings.

The President himself practically apologized. Although insisting no one had done anything wrong — as far as he knew — Clinton said, "I think it would have been better if the meetings and conversations hadn't occurred."

Clinton said his staff "will bend over backward to avoid not only the fact but any appearance of impropriety."

As the White House issued a memo outlining how staff should deal with such investigative agencies, Treasury Secretary Lloyd Bentsen made his move to clear the record — referring the matter to the Office of Government Ethics "to insure that all ethics guidelines were followed."

Voted early & often

Hosp KOs pol streak

By FRANK JAOUMAN
News Washington Bureau

WASHINGTON — It began when Dwight Eisenhower was President and a Coke cost a nickel.

It ended yesterday with Bill Clinton in the White House and Coke selling at 60 cents a can in the vending machines in the House Press Gallery.

It was the end of the longest uninterrupted voting streak in the history of Congress. The ironman of the House, 84-year-old Rep. William Natcher (D-Ky.), finally gave up the ghost and announced he was too sick to leave the hospital and come to the House floor to continue his Lou Gehrig-like record.

"After consultation with my physicians this morning I have very reluctantly decided to remain at Bethesda Naval Hospital for continued treatment," he said in a statement.

He was well enough, however, to receive one distinguished visitor — President Clinton, who called on him at the hospital to give him the presidential citizen's medal reserved for those who have performed exemplary deeds for their country.

Later, Clinton extolled Natcher as one "revered by friends and opponents alike ... the model of leadership."

Natcher had cast an unbroken string of 18,401 votes since he was first elected to Congress on Aug. 1, 1953 — including four votes cast Wednesday from a hospital gurney that was wheeled into the House chamber.

Speaker Tom Foley — who was a 24-year-old law student in Washington State when Natcher's streak began — read the congressman's statement to the House after the first vote of the day. Members gave their absent colleague a standing ovation.

Natcher's record has never been approached. Foley said it was a record that "I believe will stand forever."

Natcher has been hospitalized at the Naval Medical Center in suburban Bethesda, Md., several times in the past month, complaining of exhaustion and weight loss.

On Tuesday, House leaders, at Natcher's behest, took the unprecedented step of postponing legislative business for a day to protect his voting record.

Natcher, who holds the powerful chairmanship of the House Appropriations Committee, represents Kentucky's mostly rural 2d Congressional District, where Abraham Lincoln was born.

He has advised new members against trying to emulate his voting record. "When you've been here as long as I have and never missed a day or vote, it's right around your neck," he once said.



Rep. William Natcher

New York Daily News
March 4, 1994

WHITEWATER

Clintons need help to steer away from deeper trouble

The Clintons have so botched their responses to the Whitewater issue that the appointment of a special prosecutor won't alone suffice to establish what happened — and who, if anyone, is culpable — in the story of the failed savings and loan, the Clintons' unsuccessful real estate venture, and the possible connection between the two.



Clinton: Bad response

The Clintons need to understand how badly they have handled matters in the last three months — most recently, with the briefing the White House got from Deputy Treasury Secretary Roger Altman on one aspect of the Whitewater controversy. That obviously clouded the arm's-length relationship that was supposed to protect federal regulators from undue influence by the White House. Mr. Altman's decision to take himself out of Whitewater-related decisions doesn't undo the damage.

President Bill Clinton and Hillary Rodham Clinton have left themselves wide open to endless speculation, much of it hyperbolic and based on unproven assumptions. But even if the comparisons to past White House scandals are "preposterous," as Albert Hunt, the chief Washington correspondent of the Wall Street Journal, said this week, the Clintons and the country must have full disclosure, and a decision to let the chips fall where they may.

And while it is crucial that congressional grandstanding not compromise the special prosecutor's investigation, as happened in the Iran-contra case, the Clintons cannot wait in silence while the prosecutor proceeds with an exhaustive effort to answer any and all questions. Mr. Hunt makes the helpful suggestion that the Clintons need to put together a small team of their own, headed by someone with enough distance from them and detachment from the problem to be able to see and to tell them when they are mishandling their response.

Whitewater, however valid or invalid the questions it raises about the Clintons' involvement with their business partner, James McDougal, has become a real problem for the White House. That problem is not damage control alone. It is to be truthful, responsive and circumspect about anything else that has the potential to be seen as trying to cover up the truth.

The Clintons need someone who is dispassionate and who can help them deal intelligently with a controversy that has been compounded and expanded by their failure to respond to it wisely and correctly.

BALANCED BUDGET

Amendment was politics; give us tough action instead

Now that the Senate has rejected the latest proposal for a constitutional amendment mandating a balanced federal budget, perhaps Congress can start to think about how to balance the budget.

That proposition might seem incongruous, but only if you believe — as far too many members of Congress appear to — that phony, crowd-pleasing symbolism is an adequate substitute for immediate action on the very real issue of reducing the budget deficit and the national debt.

The proposed amendment, opposed by both of Michigan's senators, would have required Washington to balance its budget — by 2001. Its supporters, mostly Republicans, offered no clues about how they would do that. Not surprisingly, they were more eager to talk about how they would use the Senate vote as a "defining issue" in political campaigns. Meanwhile, the House could consider a similar amendment this month.

Lawmakers know, as well as anyone else, what it will take to balance the budget. It will require honest talk — and action — about limiting federal "entitlements," to middle-income and wealthy recipients as well as poor ones. It will require health care reform that truly controls the exploding costs of Medicare and Medicaid.

It will require tough but equitable tax increases. It will require a genuine, not rhetorical, examination of other spending programs for waste and inefficiency. Above all, it will require Congress to approach the "third rail" of American politics (so called, the conventional wisdom has it, because you die if you touch it): Social Security.

The contemplation of such matters is understandably unpleasant to politicians for whom the long term is their next election. But if they aren't prepared to make the hard, bipartisan choices necessary to put the nation's fiscal house in order, at least they could have the grace not to insult voters' intelligence by pretending to do something about it.

Detroit Free Press
March 4, 1994

Whitewater whitewash can't scrub away suspicion

Something is rotten in Little Rock. Otherwise, why would all the president's men (and women) go to such great lengths to undermine the ongoing investigation of the Whitewater scandal?

In just the past week, there have been revelations of grave ethical breaches by several high-ranking apparatchiks in the Clinton administration.

Most disturbing was the acknowledgment by Deputy Treasury Secretary Robert Altman, who also is acting head of the independent (supposedly) Resolution Trust Corp., that he recently briefed senior White House officials about the progress of the agency's inquiry into Madison Guaranty, the failed savings and loan that is central to the Whitewater probe.

Since President and Mrs. Clinton are themselves the subject of the federal investigation — they were co-owners of the real estate venture Whitewater Development with James McDougal, the owner of Madison Guaranty — it was unseemly, if not borderline criminal, for Altman to disclose the status of the RTC's investigation to the president's handlers.

Think if Archibald Cox had observed Altman's ethical standards during Watergate. As he investigated wrongdoing in the Nixon White House, he would have secretly conferred with Haldeman and Ehrlichman about his progress.

Altman's conduct might not be so disquieting were it an aberration. But from the very beginning of the Whitewater scandal, the people closest to the Clintons have behaved as if the president and first lady have something to hide.

The Whitewater issue was first raised during the 1992 presidential campaign. The Clintons ginned up an audit (which has since been discredited) that showed that they lost money on the real estate venture. The matter was temporarily laid to rest.

The issue resurfaced following last summer's suicide of Vincent Foster, the deputy White House counsel. Before even a wake was held for the president's boyhood friend, White House aides ransacked the dead man's office to make sure that nothing would turn up that might prove embarrassing, if not incriminating, to the president.

Months later, federal investigators discovered that a file pertaining to Whitewater had been removed from Foster's safe. White House officials had neglected to mention the file in an inventory of items in Foster's office that they originally turned over to investigators.

The disappearance of the file raised suspicions about its contents. There was speculation that it contained details of highly questionable transactions between the Clintons and Madison Guaranty.

The most (shall we say) unusual transaction occurred following Clinton's 1984 race for governor. According to testimony from McDougal, Clinton asked him to help "knock out the deficit" left over from the campaign. That "deficit" amounted to $50,000, which the Clintons had borrowed from another bank.

McDougal hosted a fund-raiser for his friends the Clintons and repaid their $50,000 bank debt. Federal investigators suspect that some of the money McDougal raised was diverted from Madison Guaranty in violation of federal banking laws.

Joseph Perkins

THE SAN DIEGO UNION-TRIBUNE

Madison Guaranty went belly up in 1989, at a cost of $50 million to the American taxpayers. Little Rock's Rose Law Firm, which counted Hillary Rodham Clinton among its partners, was retained by the RTC to pursue a lawsuit against Madison. The firm never informed the agency that Mrs. Clinton previously had represented the failed thrift.

The president and first lady could not (and still cannot) see what all the fuss about Whitewater and Madison was about. "We didn't do anything wrong," Clinton said last December. And they refused to turn over documents pertaining to their involvements with both the shadowy real estate company and the failed thrift.

Finally, the public clamor about the Whitewater scandal became so loud that the first family had little choice but to turn over documents to federal investigators. But rather than making a full and unfettered public disclosure, the Clintons' personal lawyer, David Kendall, asked that the Justice Department subpoena the documents so that papers would not be made public. This legal maneuvering proved too clever by half as it only heightened calls for an independent prosecutor.

Attorney General Janet Reno resisted the calls as long as she could, no doubt taking her orders from the folks over at the White House. She attributed the requests to partisan politics, but could no longer make that defense once key Democrats joined the call.

So now the Whitewater investigation is in the hands of a special prosecutor. That offers some comfort. But the public interest would be far better served if Congress conducted its own inquiry into the unfolding scandal.

San-Diego Union Tribune

3-4-94

3/5/92

Pressure Growing, Clinton Meets About Resignation of Nussbaum

White House Lawyer's Exit Is Called Inevitable

A1

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 4 — Under mounting pressure from Congress and from Federal officials investigating his failed Arkansas land deal, President Clinton met with Bernard W. Nussbaum, the White House lawyer, in the Oval Office tonight to arrange Mr. Nussbaum's resignation.

The meeting ended without an announcement of Mr. Nussbaum's fate. But with the need growing for an aggressive response to Congressional criticism of the White House's handling of the Whitewater affair, a senior White House official said it was inevitable that Mr. Nussbaum would step down and that only the timing remained undecided.

Compounding the White House's political problems, the Federal Bureau of Investigation tonight informed three Treasury Department officials and a former Treasury aide that they would be compelled to testify about a series of meetings in which they briefed Mr. Nussbaum and others about the status of an investigation into a failed Arkansas savings and loan that had ties to the Clintons.

Called by Grand Jury

Howard Schloss, a spokesman for the Treasury Department, said that Deputy Secretary Roger C. Altman; Jean Hanson, the department counsel, and Josh Steiner, Treasury Secretary Lloyd Bentsen's chief of staff, had been subpoenaed by the grand jury sitting in Little Rock, Ark., under the direction of the special prosecutor investigating the bank failure and the Clintons' investment in a real estate venture, the Whitewater Development Company.

A participant in the meetings said that Jack DeVore, then Mr. Bentsen's closest aide, also was notified that he must appear before the grand jury.

Associates of Mr. Nussbaum said the 57-year-old lawyer had hoped to postpone his resignation long enough to diminish the impression that he had been dismissed.

But the Oval Office meeting capped a day in which Mr. Clinton and his staff maneuvered to limit the fallout from disclosures this week of the meetings disclosed to anyone else connected to a Federal investigation.

The disclosure of the conversations has fueled Republican demands for a new inquiry into the Clintons' investment and put pressure on Mr. Clinton to act firmly to disavow the talks. Today, there were signs that some Democrats were also considering hearings on Whitewater.

Mr. Clinton had to cope with the question of Mr. Nussbaum's fate through a day whose main event was to have been a meeting with President Leonid Kravchuk of Ukraine. At two sessions where reporters were present, a picture taking session and a joint news conference in the East Room, the first question posed to Mr. Clinton was whether Mr. Nussbaum would remain at his post. Mr. Clinton later added discussions with top aides to his afternoon calendar to consider that very question.

Before the latest round of criticism over his role in the Whitewater affair, Mr. Nussbaum had already been at the center of a series of White House political miscues, including the failed nomination of Lani Guinier to a top Justice Department post, the torturous search for an Attorney General and the removal of files from the office of Vincent W. Foster Jr., Mr. Nussbaum's deputy who committed suicide last July.

A Difficult Position

Officials said that history, coupled with Mr. Nussbaum's most recent actions, had left his position difficult to defend, especially after Administration officials said that the unquestioned support of his political patron, Hillary Rodham Clinton, had become in doubt.

"If this was the first time in the barrel for him, maybe we could fight for him," a senior White House official said tonight. "But the third time is hard."

Earlier today, Mr. Clinton refused twice to comment about Mr. Nussbaum's fate, a telling symbol in the Washington political lexicon. The President was said by aides to be particularly upset that the White House lawyer had not anticipated the sensitivity of his participating in a series of meetings with senior Treasury Department officials to discuss the status of the Federal investigation into the bankrupt Arkansas savings and loan.

That company, Madison Guaranty Savings and Loan, is now being scrutinized by Robert B. Fiske Jr., the special counsel who has been appointed to look into the role it played in Mr. Clinton's investment in the Whitewater development. Mr. Clinton on Thursday expressed dismay that the meetings had taken place, but that only led Republicans in Congress today to voice new complaints about the White House's conduct.

After poking for months at Whitewater's embers, the Republicans expressed new confidence that the missteps would finally force Congress's Democratic majority to undertake hearings. And, more dangerously for the White House, some Democrats began to echo them privately.

In the Senate, where Republicans are already pledging to hold up approval of important White House nominations until a Whitewater hearing is scheduled, aides to senior Democratic senators said there was growing uneasiness among their bosses.

Saying that they were growing resigned to the possibility that some kind of inquiry might be necessary, if only to quiet the mounting furor from Republicans and other critics, the aides said the matter had been referred to Senate Democratic leaders.

Associates of Mr. Nussbaum said he would have preferred that a decent interval pass before he resigns his post. But they said Mr. Clinton's failure to express confidence in him during public appearances today could only have been intended as a message that it was time to leave.

Other officials said aides to Mrs. Clinton had told associates in the Administration that she was disappointed in the way Mr. Nussbaum, her one-time mentor, had handled the matter. Because of her close friendship with Mr. Nussbaum, Mrs. Clinton's views on the issue are crucial.

Poisonous Signals

Mr. Nussbaum was said by associates to have talked with Mrs. Clinton about whether he should resign. He had not talked with Mr. Clinton until the two met this evening in the Oval Office.

Even this morning, a close friend of Mr. Nussbaum's said: "None of us see how he can survive much longer." And in a capital where poisonous signals are often perfumed, remarks made this morning by Dee Dee Myers, the White House spokeswoman, only reinforced that sentiment.

While insisting that reports Mr. Nussbaum was considering whether to step down were "news to Bernie," Ms. Myers pointed out that "nobody's bulletproof in this White House."

By this afternoon, senior White House officials were discussing what the consequences of a resignation by Mr. Nussbaum might be, and whether it might help close the political wounds inflicted by the disclosure of the meetings.

In addition to Mr. Nussbaum, only Ms. Hanson, the Treasury Department's general counsel, took part in all three of the sessions. The two were the only participants in what White House officials have described as the most troublesome encounter, on Sept. 29. In that meeting, Ms. Hanson told Mr. Nussbaum that the Clintons would be mentioned as possible beneficiaries of illegal actions in a request for a Justice Department investigation of Madison Guaranty by the Resolution Trust Corporation, the agency responsible for failed S.& L.'s.

That was more than a week before the R.T.C. formally referred the case to the Justice Department and before the decision became final, giving Mr. Nussbaum advance knowledge of information that under other circumstances is regarded as highly sensitive.

Varying Participants

The other two meetings, which took place in October and again last month, also included varying casts of other officials, including Bruce Lindsey, a senior adviser to Mr. Clinton; Mark D. Gearan, the communications director; Roger C. Altman, the Deputy Treasury Secretary; Mr. DeVore, then Mr. Bentsen's press secretary; and Mr. Steiner.

After disavowing the meetings on Thursday, Mr. Clinton sought at a news conference today to emphasize that, with new procedures imposed on Thursday, the White House has now erected a "a clear and appropriate firewall" to prevent further contacts between his aides and Federal investigations into Madison Guaranty and the Whitewater case.

Seeking to turn the focus to his critics' conduct, Mr. Clinton accused Congressional Republicans of engaging in "fairly blatant, bald and totally political" efforts to make an issue of the meetings, in which he said he had not been accused of "doing anything wrong."

Before this week's first disclosure of his participation in an unusual meeting, Mr. Nussbaum had told friends that he believed his job was to be a kind of a lightning rod for the Administration. But he told the friends that he hoped to stay in the White House for at least another year.

The Whitewater affair may claim a major victim.

THE NEW YORK TIMES, SATURDAY, MARCH 5, 1994

Public & Private

ANNA QUINDLEN

In Hot Water

It is a truth universally acknowledged that a change in the political landscape makes an enormous difference in the world view of some part of the electorate. And so it is that the letters and phone calls once filled with cries of "Why aren't you slamming them more on Iran-contra?" and "What about Neil Bush and Silverado?" now reverberate with the complaint "How come you're being so hard on the Clintons?"

Those complaints have grown with the slow spiral of Whitewater and the plethora of questions about what the President and Mrs. Clinton knew and exactly when they knew it. The choice of language is neither flippant nor coincidental, for over this enterprise and perhaps every politically suspect action/reaction for the foreseeable future hangs a long shadow.

Twenty years ago this August the first American President to resign from office took off for the Coast in a helicopter from the White House lawn, the impeachmen snapping at his conservatively shod heels. There are Republicans who still refer to Watergate as a third-rate burglary. They've been thirsting for anything quite so third-rate on the Democratic side of the aisle ever since.

Whitewater was a third-rate land deal in which the Clintons say they lost money. From this stone thrown into the murky pond of Arkansas politics have spread concentric rings: questions about everything from interest deductions on the couple's tax returns to conflicts of interest within the powerful law firm where Mrs. Clinton, as well as a number of other players in the new Administration, were once partners.

But the water in Washington, if sometimes toxic, is far more transparent than in Little Rock, and more questions were bound to be asked about the real estate deal and related matters once Mr. Clinton became President. While Whitewater in all its earliest manifestations seemed little more than a civics lesson in the incestuous survival tactics of a small state capital, the aftermath has been infinitely more worthy of notice.

To wit, this week: reports of meetings between officials at the Treasury Department, who are investigating the failed S.&L. linked to Whitewater, and White House aides, whose bosses are one focus of that investigation. Reports of shredded documents from the files of Vincent Foster, Deputy White House Counsel, onetime attorney for the Clintons and Mrs. Clinton's former partner, whose suicide last year is still under investigation. And the hits just keep on happening, leading to the inevitable question: Who's in charge there? And why haven't they done a better job?

Do Watergate and Whitewater have much in common besides H_2O, or hot water? No way, nohow, nowhere near. But with the Nixon White House as an anti-model, how in the world could Hillary Rodham Clinton and Bernard Nussbaum, who met when both were working on the House Judiciary Committee investigation into Watergate, think that the best initial response to questions about Whitewater was, in the parlance of a previous era, to stonewall? How could either have failed to detect echoes of the past in meetings between White House staff and representatives of investigating agencies?

The people, we're sometimes told, don't care. They care about crime and health care and schools, not about the Clintons' tax returns or Vince Foster's suicide. Ever since Bobby Ray Inman went nuclear in a televised press conference and informed the American people that he could not afford to be Secretary of Defense because the press was mean, there has been a faintly apologetic atmosphere surrounding the reporting enterprise.

Anyone who has been in the newspaper business over the last quarter-century can remember vividly when Watergate, too, was being styled as a liberal media vendetta, a story only reporters cared about. In retrospect, there was nothing third-rate about it; it was a first-rate exercise in the arrogance and abuse of power. In retrospect, the people cared a great deal.

When all the stories and the investigations are done it may well be that Whitewater will be fourth-rate, fifth-rate, in retrospect not worthy of all the fuss. But reporters are not paid to operate in retrospect. Because when news begins to solidify into current events and finally hardens into history, it is the stories we didn't write, the questions we didn't ask that prove far, far more damaging than the ones we did. □

White House Counsel to Resign Today

FBI Serves Subpoenas on Senior Clinton Staff Members in Broadened Financial Probe

[redacted] Devroy and Ruth Marcus
Washington Post Staff Writers

Bernard Nussbaum yesterday told President Clinton he will resign today as White House counsel, sources said, in the face of a torrent of criticism prompted by contacts he had with officials involved in the investigation of a failed Arkansas savings and loan with ties to the Clintons.

Even as the White House was preparing the official resignation statements, Nussbaum and much of the senior staff at the White House were being served by the FBI with subpoenas from the special counsel investigating Madison Guaranty Savings & Loan and its connections with Whitewater Development Corp., a land development venture in which the Clintons were partners.

Those receiving subpoenas include White House Deputy Chief of Staff Harold Ickes; Hillary Rodham Clinton's chief of staff Margaret Williams and press secretary Lisa Caputo; White House Communications Director Mark Gearan; senior adviser Bruce Lindsey; Deputy Treasury Secretary Roger C. Altman; and three of his current or former senior aides.

The subpoenas were the first indication that special counsel Robert B. Fiske Jr. has broadened his investigation to include three discussions in which White House and Treasury officials talked about the Resolution Trust Corp.'s investigation into Madison was discussed.

Nussbaum was present at all of the sessions, including one in September when Jean Hanson, general counsel at Treasury, informed the White House counsel that the RTC was poised to ask the Justice Department to launch a criminal investigation into Madison. The RTC request for the investigation included references to the Clintons as possible beneficiaries of Madison illegal activity, although it did not allege any wrongdoing on their part.

At another session in October, Gearan; Lindsey; Nussbaum; Hanson; Josh Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, and Jack DeVore, the Treasury press secretary, also discussed the status of the RTC investigation. Altman, Steiner, Hanson and DeVore, who has since left the government, all were subpoenaed yesterday, a Treasury spokesman said.

Sources said that White House officials were considering successors

■ *Law firm says shredding was not related to Foster probe. Page A6*

See PRESIDENT, A7, Col. 1

PRESIDENT, From A1

to Nussbaum, including Washington lawyer James Hamilton, who helped conduct background checks of prospective nominees during the transition and who since has become the personal lawyer for the family of the deputy counsel Vincent Foster, who committed suicide last July.

New York lawyer Susan Thomases, a close confidante to Hillary Clinton and a former Nussbaum ally, is among those searching for replacements, the sources said.

The 57-year-old Nussbaum, who hired Hillary Rodham as a young lawyer to serve on the House committee considering President Richard M. Nixon's impeachment, becomes the first high-level official at the Clinton White House to resign under fire.

He has been at the center of a string of ethical controversies.

Nussbaum made his mark as a Wall Street lawyer specializing in the high-stakes takeover litigation that boomed during the 1980s and boasted last year that he had "the single best training anybody could have for this job"—advising corporate chieftains. But in the view of many colleagues, he had a hard time making the transition to a job that required a blend of legal skills and political judgment, and in which his litigator's instinct to fight on often caused more harm than good.

Even before the furor over his Madison meetings, Nussbaum had been the target of significant criticism.

Some outside observers and senior White House aides believed that his tenure was a problem for the president but that Nussbaum was too proud to quit under pressure and that the Clintons were too loyal to force him out.

Nussbaum was involved in many of the most damaging episodes of the Clinton administration's first year: the vetting of prospective Attorney General nominee Kimba M. Wood; the nomination and eventual withdawal of Lani Guinier to head the Justice Department's office of civil rights; the firing of the White House travel office, and the handling of Whitewater documents after the suicide of Deputy Counsel Vincent Foster.

Administration officials yesterday said the on-and-off pressure on Nussbaum to resign had exploded this week when the White Hous contacts with Treasury were r vealed.

Administration officials conclud yesterday that not only was Nus baum's continued presence at t White House causing the preside serious political damage, but als that Nussbaum's ability to perform his job had been irreparably harmed.

"Definitely there has been permanent damage to his ability to function," said one senior official. "He is a focus and a spotlight for criticism . . . in a way that is unprecedented." Through a long day of appearances yesterday, Clinton was asked five separate times about Nussbaum and whether he retained confidence in his friend and counsel. The president did not come to Nussbaum's defense, but instead, defended the actions he took this week to prevent further contacts between White House officials and others on the Whitewater or Madison matters.

Asked finally at a news conference with Ukrainian President Leonid Kravchuk if he retained confidence in Nussbaum, Clinton said, "I have nothing to add to what I said yesterday."

On Thursday, the president had said the meetings between White House and Treasury officials should not have occurred, and he ordered a memo circulated throughout the staff banning any contacts between White House officials and others in the executive branch on the issue of Madison and Whitewater.

The meetings about the RTC request for a criminal investigation into Madison has led to Republican charges that the White House was trying to manipulate or get advance details on an investigatory action involving the president.

Republicans continued their calls yesterday for investigations into the contacts, and in the Senate have threatened to hold up some Clinton nominations unless hearings into the contacts are held.

Officials at the White House yesterday said much of the routine work there paused as the president's aides chewed over the growing clamor for a Nussbaum firing.

One senior official said Nussbaum retained "very little support even though he gets a lot of sympathy" among the president's staff because of the perception there that he has not only failed to save the White House from ethical embarrassments but caused some of them.

Officials said Nussbaum's future was discussed in at least three separate sessions that occurred throughout the day at the White House, ending with a final meeting with the president in the Oval Office that stretched into the early evening.

THE WASHINGTON POST SATURDAY, MARCH 5, 1994

Rose Firm Lawyers Say Shredding Was Not Related to Foster Inquiry

By Susan Schmidt
Washington Post Staff Writer

Documents shredded last month by a courier at the Rose law firm in Little Rock, Ark., contained firm financial statements and minutes of partnership meetings, according to firm lawyers, and not sensitive materials handled by Vincent Foster, who served as deputy White House counsel before his suicide last July.

But investigators reexamining the circumstances of Foster's suicide and the law firm's relationship to the failed Madison Guaranty Savings & Loan have questioned the courier, Jeremy Hedges, a college student employed by the firm, before a federal grand jury, according to sources close to the firm.

Foster, Hillary Rodham Clinton and Associate Attorney General Webster L. Hubbell were Rose partners before coming to Washington. The law firm represented Madison and a number of businesses linked to the S&L. Foster's suicide is part of the wide-ranging investigation into Madison and the Clintons' Whitewater real estate venture being conducted by Special Counsel Robert B. Fiske Jr.

Fiske said Feb. 9 that he would investigate an allegation reported in the Washington Times that Rose employees shredded documents related to the Whitewater investigation.

The New York Times reported yesterday that Hedges was brought before the Whitewater grand jury on Feb. 16 and testified that he did not know exactly what he had shredded but that the outside of the box bore Foster's initials, as did binders contained inside. He also reportedly said he saw Foster's name on some of the documents.

Rose firm sources said the box of material to be shredded was put together by a clerk in helping a lawyer change offices.

Foster had worked on Whitewater tax returns for the Clintons, and at the time of his death had set up a blind trust for their assets.

The Rose firm, one of the largest in Arkansas, has been at the center of controversy over its representation of Madison before the state securities commission while Bill Clinton was governor. Hillary Clinton helped represent the S&L in the matter.

The firm has been conducting an internal inquiry into the client billing practices and expense accounts of Hubbell, a former managing partner.

THE WASHINGTON POST SATURDAY, MARCH 5, 1994

Nussbaum's Defiance Proved Ill-Suited for Politics

By Ruth Marcus
Washington Post Staff Writer

An irrepressible, energetic lawyer who made a fortune on Wall Street as a takeover litigator, Bernard Nussbaum encountered difficulty almost from his first days in the counsel's job.

Many officials at the White House and elsewhere have said for months that his professional mind set of fighting to the death is not well-suited to the counsel's position, where the president's chief lawyer is called on to make judgments at the intersection of law and politics.

At the White House this week, few if any senior officials were willing to go beyond a token defense of Nussbaum's presence. "There are some who are very upset and think that he's the top ethics enforcer and can't believe that a series of events raising ethical questions have also centered on him," one senior official said. On the other hand, the official said, "there is a body of thought here that it's terribly important to treat Bernie with fairness and dignity on this."

As the furor over his activities mounted, Nussbaum's reluctance to resign was characteristic. Some suggested this week that it was precisely that defiant stubbornness that attracted the president and Hillary Rodham Clinton to Nussbaum.

"The accusation against Bernie is he's been an overly zealous advocate," another senior official said. "You drop out the adjective and you find what the president and the First Lady find to be a desirable commodity in there."

Nussbaum first met the Clintons when Hillary Rodham worked for him as a junior lawyer on the House Watergate committee considering impeachment proceedings against President Richard M. Nixon. Rodham told him at the time that her then-boyfriend, a young Arkansas lawyer named Bill Clinton, was about to run for Congress and would be president someday.

Nussbaum scoffed, but he kept in touch with the young lawyers over the years, contributing to Clinton campaigns and helping raise funds during the presidential campaign two years ago. When the Clintons got to the White House, they wanted a tough and experienced lawyer who would be unquestionably loyal to them. Nussbaum fit the bill, and he came to the White House, hanging a black-and-white photograph of the impeachment committee staff on the wall of his West Wing office next to the First Lady's.

But while Nussbaum's irreverent and somewhat frenetic manner made him a popular figure among the White House staff, doubts quickly arose about his political judgment.



Bernard Nussbaum was described by one senior official as "an overly zealous advocate."

Nussbaum was not involved with the initial selection of corporate lawyer Zoe E. Baird to be attorney general, but his first instinct was to fight on even after disclosures that she had employed undocumented immigrants as household help evaporated her support in the Senate. He then failed to question closely the next prospective nominee, federal Judge Kimba Wood, leading to the belated discovery that she too had hired an illegal immigrant to care for her child.

Then, Nussbaum failed to heed warnings that University of Pennsylvania law professor Lani Guinier's academic articles on voting rights could cause problems for her confirmation as assistant attorney general for civil rights. Eventually, Clinton was forced to withdraw Guinier's nomination, saying he never would have picked her had he read the articles himself.

The problems that those missteps caused for Nussbaum paled in comparison to the outcry over a series of incidents in which he was seemingly heedless of how his actions would appear to outsiders.

The first was the handling of the White House travel office firings. Associate Counsel William Kennedy contacted the FBI directly to investigate the allegation of wrongdoing by the employees—drawing a rebuke from Attorney General Janet Reno and Nussbaum's promise not to let it happen again.

Nussbaum himself—despite his Watergate experience—sat in on a White House meeting with the FBI to draft a press release confirming the existence of a criminal investigation, an episode that raised the specter of the White House using a law enforcement agency for its own political purposes.

Nussbaum's difficulties mounted with the death last summer of Deputy Counsel Vincent Foster. The night Foster committed suicide, Nussbaum and other top aides entered Foster's office to look for a note, then failed to seal the office.

When Park Police officers arrived to investigate, they found Nussbaum uncooperative. He initially refused them permission to enter Foster's office or to examine his papers. When he did permit a Justice Department-Park Police search, Nussbaum insisted on going through the documents himself and turning over anything he found relevant. In that search, Nussbaum overlooked Foster's torn-up note decrying life in Washington.

At the time, the White House said Foster's personal papers were given to his personal lawyer and his official files parceled out among the office. Months later, it was revealed that a third category of documents—personal files of the Clintons', including files on Whitewater—were given to the Clintons' private lawyer.

At that point, Nussbaum exacerbated the problem of the belated revelation by suggesting that Clinton might cite executive privilege and withhold the documents from prosecutors if they sought them—a classic lawyer's response but a political blunder. Several days later, but not without a series of damaging stories, the documents were in fact provided.

Nussbaum was also in the forefront of resisting the increasing clamor for appointment of a special counsel to investigate Whitewater, the real estate development venture in which the Clintons were partners. "Bernie fought and fought and fought that to the end and fought past the end," said one official. "Even after it was done he would say it was wrong, it was a mistake."

The furor that finally caused Nussbaum's demise was triggered by the disclosure of Nussbaum's participation in three meetings with Treasury Department officials concerning the investigation of Madison Guaranty Savings & Loan. In one meeting, Nussbaum was informed that the Clintons were named in a Resolution Trust Corp. request for a criminal investigation of the failed Arkansas thrift.

Another senior official, asked for an assessment of Nussbaum's performance, could say only, "I think he's very loyal and committed to the president. . . . I think there have been missteps that a lot of people have made around here."

Asked whose tally was longer than Nussbaum's, the official sighed. "It's tough," he said.

bc-whitewater times 1stld-writethru a2037
(ATTN: National editors) (Includes optional trims)
Editors: fixes throughout.
9 Adminstration Officials Subpoenaed in Whitewater Scandal (Washn)
By David Lauter= (c) 1994, Los Angeles Times=

WASHINGTON Whitewater special counsel Robert B. Fiske Jr. Friday subpoenaed nine Clinton administration officials, including White House counsel Bernard Nussbaum, whose resignation is widely considered imminent because of the way he has handled the Whitewater controversy.

Those subpoenaed include six White House aides who participated in meetings with Treasury Department officials about aspects of the investigation of the failed Whitewater Development Corp., in which then Arkansas Gov. Bill Clinton and his wife, Hillary Rodham Clinton, were partners.

Fiske was expected to subpoena administration officials as part of his effort to determine what happened in Whitewater. But his decision to summon those involved in the recent White House-Treasury meetings makes clear that he also intends to examine related, subsequent actions to see if any improprieties occurred.

Subpoenaed were Nussbaum, White House counselor Bruce Lindsey, Deputy Chief of Staff Harold Ickes, Communications Director Mark D. Gearan, Mrs. Clinton's chief of staff, Margaret Williams, and the first lady's press secretary, Lisa Caputo.

Lindsey has been the chief White House official handling Whitewater-related questions for Clinton. Ickes, Williams and Nussbaum met last month with Deputy Treasury Secretary Roger Altman, who briefed them on procedures that the Resolution Trust Corp. a Treasury agency was following in pursuing its investigation of Madison Guaranty Savings & Loan, a failed Arkansas thrift that was owned by James B. McDougal, the Clintons' partner in the real estate deal.

Gearan and Nussbaum took part in a meeting last fall with Treasury Department officials at which the Madison Guaranty investigation was discussed. Participants have said that they discussed only one topic at the meeting: how to respond to news media inquiries about Madison Guaranty.

Fiske also subpoenaed Altman and two other Treasury officials who participated in the meetings General Counsel Jean E. Hanson and Joshua Steiner, the department's chief of staff.

Nussbaum has been under fire for allowing the meetings to take place and for participating in them. Congressional Republicans and other critics have charged that the meetings could have allowed White House officials to interfere with Treasury's investigation of possible wrongdoing at the Madison Guaranty. President Clinton conceded Thursday that the meetings, two last fall and one last month, created an appearance of impropriety.

Fisk is investigating the Clintons' role in Whitewater Development and, among other things, whether funds from Madison Guaranty might have been used to pay off Clinton campaign debts or to offset their losses on the real estate deal. The Clintons have said that they lost about $69,000 on the venture. Madison Guaranty was seized by federal regulators in 1989 at a cost to taxpayer of at least $47.6 billion.

In a memorandum to the White House staff, Deputy Counsel Joel Klein said that the subpoenas, which call for the officials to appear in federal district court in Washington on March 10, cover ``any and all documents and/or communications referring or relating to any contacts, meetings or conversations about or regarding Madison Guaranty Savings & Loan, its subsidiaries or affiliates'' between White House staff and officials of the Treasury Department or the Resolution Trust Corp.

Klein warned that ``the destruction of documents after receipt of this subpoena may constitute obstruction of justice'' and suggested that, ``if you have any doubt about whether a particular document is called for .., you must save it.''

Klein also directed White House aides not to purge any computer records

and directed officials to stop removing from the White House any paper, including trash thrown in wastebaskets.

White House Press Secretary Dee Dee Myers said that staff members would fully comply with the subpoenas and that the White House would have no other comment.

President Clinton was informed of the subpoenas about 7 p.m. EST, shortly before they were served, aides said, and he instructed the staff to cooperate.

(Optional add end)

The subpoenas, the first known to have been issued to White House officials in the investigation, perhaps temporarily delayed the resignation of Nussbaum, whose yearlong tenure as the White House chief counsel has been marked by frequent controversy.

Earlier in the day, Clinton conspicuously distanced himself from his embattled aide at a White House press conference, ducking several public opportunities to voice confidence in him.

``I have nothing more to add to what I said yesterday,'' Clinton said when asked about Nussbaum.

Clinton's reference was to remarks he made Thursday criticizing the meetings Nussbaum attended with Treasury Department officials.

``We have to be careful,'' Clinton said at the press conference. ``I think I have sent a very clear and unambiguous signal that there's no point in letting a process mess this White House up when we have not yet been accused of any wrongdoing. And since there was no wrongdoing on my part, I want a full, complete, thorough investigation, and I want it to go forward unimpeded and then to be over.''

While Clinton did not mention Nussbaum by name, his words appeared to be a clear rebuke, given that Nussbaum's job has been to oversee the internal processes of the White House to ensure that they do not ``mess up.''

As he has done before, Clinton complained about the political use that Republicans have made of the Whitewater matter, saying that ``there is no evidence of abuse of authority on my part as President, or any of the kinds of things for which their parties and administrations were accused.

``The Republicans have behaved in a fairly blatant, bald and totally political way,'' Clinton said. ``Since they have often complained in the past of political motivation, I think that they would show a little more restraint and judgment in this case.''

But White House officials made clear that Clinton, who thought the Whitewater issue had been taken off his back by the appointment of Fiske as a special counsel earlier this year, also believes that he was let down by members of his staff, including Nussbaum.

Clinton and Nussbaum subsequently met in the Oval Office, and officials widely predicted that the presidential aide's resignation would come later in the evening. But after news of the subpoenas, officials said the announcement would be put off, perhaps until after the weekend.

-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

**** filed by:LAWP(--) on 03/05/94 at 02:22EST ****
**** printed by:WHPR(162) on 03/05/94 at 08:56EST ****

-whitewater-rose times - a1658
(ATTN: National editors) (Includes Optional Trims)
Law Firm Courier Acknowledges Shredding Foster's Documents (Washn)
By Sara Fritz= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. A courier employed by the Rose Law Firm acknowledged Friday that he shredded documents belonging the late Vincent Foster in January, a few weeks before the firm received a broadly worded subpoena for documents from Whitewater special counsel Robert B. Fiske Jr.

Clayton Lindsey, 19, of Little Rock, told the Los Angeles Times that both he and his roommate, Jeremy Hedges, also a Rose firm courier, were instructed to destroy the papers. He declined to describe the contents of the documents, but said they could have been internal materials, as Rose spokesmen have suggested, rather than files related to Whitewater.

Lindsey testified about the shredding to a federal grand jury last Feb. 16. His and Hedges' testimony apparently led to the issuing of the subpoena to the Rose firm by Fiske.

Lawyers at the Rose firm, where Foster practiced law before January 1993 along with now-First Lady Hillary Rodham Clinton and two other top administration officials, do not deny that some documents belonging to Foster were shredded. Yet they have maintained that they never destroyed any [redacted]erials that might be pertinent to Fiske's investigation.

[redacted]eports of the shredding, which first appeared in the Washington Times and [redacted] New York Times, added to the many difficulties the prestigious, old-line law firm has encountered since it came under scrutiny as a result of its involvement in the Whitewater affair.

In just the past few weeks, Rose lawyers have been forced to respond to allegations of conflict of interest, overbilling and destroying evidence.

Fiske, a New York lawyer, is looking into allegations that President Clinton may have benefited improperly from his association with James McDougal, owner of a failed savings and loan and partner with the Clintons in an Ozark real estate development firm known as Whitewater Development Corp. Although the probe centers on Whitewater, Fiske also is investigating the apparent suicide of Foster last summer while he was serving as a White House counsel. His probe also encompasses the role played by Mrs. Clinton and her firm in representing Whitewater and McDougal's Madison Guaranty Savings & Loan.

In response to the couriers' story, a spokesman for the Rose firm has acknowledged that some files belonging to Foster were found earlier this year when one lawyer was moving to a new office. He said those documents were discarded because they were nothing more than ``internal Rose firm materials,'' such as notes of firm committee meetings.

[redacted]A special grand jury is expected to be empaneled later this month to begin [redacted]ing testimony in the Whitewater case. The couriers appeared before a [redacted]lar grand jury.

In interviews with the Los Angeles Times over the past month, several Rose partners have strongly denied reports that the firm ever shredded any documents related to Whitewater, which would be a criminal act.

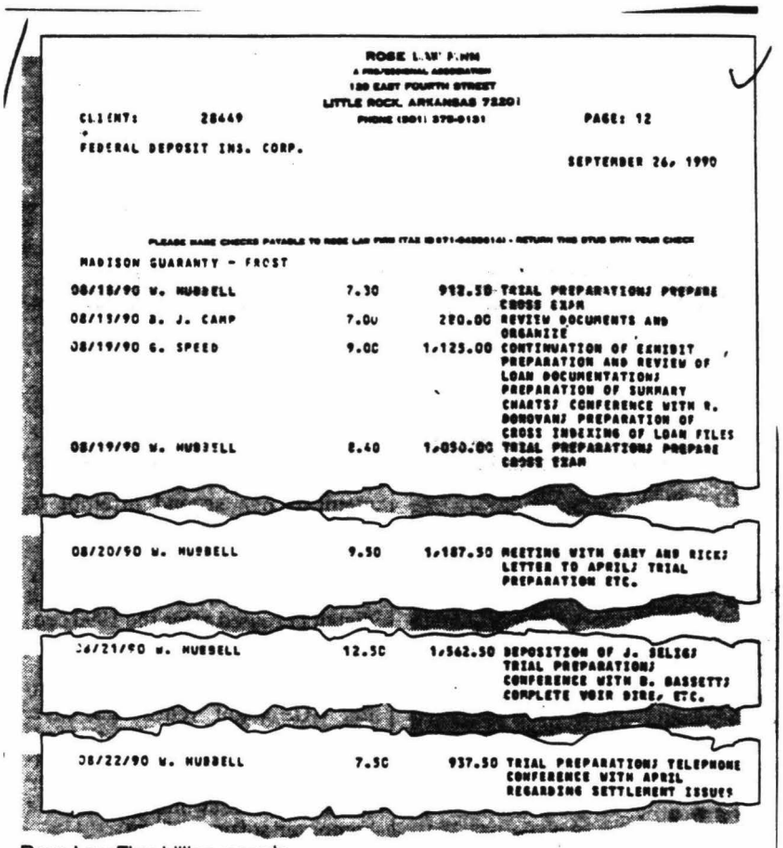
``You think if we were going to shred some documents from Madison and Whitewater, we would call in some clerks and say, `Here, we are going to shred Whitewater documents,'?'' asked Alan Bird, who represents the Rose firm in Washington. ... ``And do you think we would do it in the middle of the day?''

(Optional add end)

Many law firms routinely destroy confidential documents that are no longer needed. According to Rose partners, their firm did not own a shredder until 1992, when one was purchased in response to indications that news reporters covering the Clinton presidential campaign were foraging through the firm's trash.

Lindsey said he and Hedges testified before the grand jury with the knowledge and approval of their employer, but they hired a lawyer from another firm to accompany them into the grand jury room. He said his testimony has [redacted] nothing to undermine his employment at the firm, where he runs errands [redacted]does other menial tasks.

**** filed by:LAWP(--) on 03/05/94 at 02:09EST ****
**** printed by:WHPR(162) on 03/05/94 at 08:52EST ****



ROSE L[illegible] FIRM
A PROFESSIONAL ASSOCIATION
120 EAST FOURTH STREET
LITTLE ROCK, ARKANSAS 72201
PHONE (501) 375-9131

CLIENT: 28449 PAGE: 12

FEDERAL DEPOSIT INS. CORP.

SEPTEMBER 26, 1990

PLEASE MAKE CHECKS PAYABLE TO ROSE LAW FIRM ITAX ID 71-0600141 - RETURN THIS STUB WITH YOUR CHECK

MADISON GUARANTY - FROST

08/18/90	W. HUBBELL	7.30	912.50	TRIAL PREPARATIONS; PREPARE CROSS EXAM
08/19/90	B. J. CAMP	7.00	280.00	REVIEW DOCUMENTS AND ORGANIZE
08/19/90	G. SPEED	9.00	1,125.00	CONTINUATION OF EXHIBIT PREPARATION AND REVIEW OF LOAN DOCUMENTATION; PREPARATION OF SUMMARY CHARTS; CONFERENCE WITH R. DONOVAN; PREPARATION OF CROSS INDEXING OF LOAN FILES
08/19/90	W. HUBBELL	8.40	1,050.00	TRIAL PREPARATIONS; PREPARE CROSS EXAM
08/20/90	W. HUBBELL	9.50	1,187.50	MEETING WITH GARY AND RICK; LETTER TO APRIL; TRIAL PREPARATION ETC.
08/21/90	W. HUBBELL	12.50	1,562.50	DEPOSITION OF J. SELIG; TRIAL PREPARATION; CONFERENCE WITH B. BASSETT; COMPLETE VOIR DIRE, ETC.
08/22/90	W. HUBBELL	7.50	937.50	TRIAL PREPARATIONS; TELEPHONE CONFERENCE WITH APRIL REGARDING SETTLEMENT ISSUES

Rose Law Firm billing records

of Seth Ward who was an insider at Madison Guaranty and is the brother in law of Seth Ward II. Both of these men have sued Madison Guaranty."

Once the FDIC had taken over Madison, a suit against the S&L by the Wards became, in effect, a suit against the government, which was paying the Rose firm and Mr. Hubbell to represent it in a related Madison matter.

Ms. Breslaw, the Washington-based attorney overseeing the Madison case for the FDIC's director's and officer's liability section, sought to assuage those concerns.

In a June 1989 letter to Mr. Paulson, she said, "I understand your concern about Webb Hubbell's family relationship to Mr. Ward. However, it's important to keep things in perspective."

Ms. Breslaw also told Mr. Paulson that Mr. Hubbell had assured her he was not the "primary" attorney in the case. "Hubbell is involved only in an indirect way," she said. "I am not inclined to take a $10 million case away from counsel that has obtained fine results in other matters."

But the billing records show much more than an "indirect" involvement by Mr. Hubbell. During the month of August 1990, he billed the government for 180 total hours. Richard T. Donovan, ostensibly the lead attorney on the case, submitted a bill for 104 hours.

HUBBELL'S BILLINGS

A chronology of the billing by Webster L. Hubbell during a 20-day period in August 1990 for work on the Madison Guaranty Savings & Loan case.

	Hours	Billing amount
8/4	7.40	$ 925.00
8/5	8.30	1,037.50
8/6	7.40	925.00
8/7	9.40	1,175.00
8/8	8.50	1,062.50
8/9	8.20	1,025.00
8/10	9.50	1,187.50
8/11	9.10	1,137.50
8/12	7.40	925.00
8/13	9.10	1,137.50
8/14	6.10	762.50
8/15	6.50	812.50
8/16	7.00	875.00
8/17	8.50	1,062.50
8/18	7.30	912.50
8/19	8.40	1,050.00
8/20	9.50	1,187.50
8/21	12.50	1,562.50
8/22	7.50	937.50
8/23	8.60	1,075.00
		20,775.00

The Washington Times

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Hubbell involved to tune of $20,000

By Michael Hedges
THE WASHINGTON TIMES

A1

Webster L. Hubbell billed taxpayers more than $20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period in August 1990, despite his contention that he had only "indirect" involvement in the case.

As managing partner of Little Rock's Rose Law Firm, Mr. Hubbell submitted a bill to the federal government that said he worked without a day off, through three weekends, averaging more than eight hours a day between Aug. 4 and Aug. 23, 1990, at a fee of $125 an hour.

The bills raise a fundamental question about Mr. Hubbell's role in a matter where federal auditors feared he had a conflict of interest. In an attempt to soothe those concerns, Mr. Hubbell assured a federal lawyer overseeing the case that his involvement would be indirect.

But his billing of the government indicates a full-time role.

Mr. Hubbell's billing practices are the subject of an in-house investigation at the Rose firm, according to a report Wednesday in The Washington Post.

In a statement released that day, Mr. Hubbell, now associate attorney general, acknowledged that he had been questioned by the [illegible] about his billings. He added, however: "I am not aware of any investigation, and I have never overbilled a client."

The Rose firm had gotten the Madison contract to represent the Federal Deposit Insurance Corp., which had taken over the failing thrift despite the concerns of at least three federal regulators that Mr. Hubbell's involvement would constitute a conflict of interest.

Mr. Hubbell has denied the conflict-of-interest allegations. Those charges have become part of special counsel Robert B. Fiske Jr.'s investigation of matters relating to Whitewater-Madison.

Mr. Hubbell, who has recused himself from the ongoing Whitewater-Madison inquiry, yesterday refused comment on any matter related to the Madison case.

The bills examined by The Washington Times give only a sketchy account of the work Mr. Hubbell said he was performing. For example, on Sunday, Aug. 19, Mr. Hubbell charged the government $1,050 for 8.4 hours spent in "trial preparation; prepare cross-examination." No trial ever occurred in the case, which was settled out of court.

see HUBBELL, page A11

HUBBELL

From page A1

On Sunday, Aug. 5, 1990, Mr. Hubbell charged $1,037.50 for 8.3 hours for "work on pre-trial issues; research, review work papers for cross-examination."

Mr. Hubbell was one of seven members of the Rose firm who billed the government during that month. The total for the period reached $75,486.

Hillary Rodham Clinton, another Rose partner, represented Madison in a separate matter before Arkansas state banking regulators. Mrs. Clinton and her husband — then governor of Arkansas — were partners with Madison President James B. McDougal and his wife, Susan, in Whitewater Development Corp., a northern Arkansas real estate venture.

In a bill submitted for his August work and that of his colleagues, Mr. Hubbell sounded chagrined to be charging the federal government at such a rate. "I am enclosing our firm's bill for the month of August. I apologize for its size," he wrote an FDIC official.

By the time the case was settled, Rose had billed the government — which by then had taken over Madison — $400,879 and agreed to a questionable settlement with a Little Rock accounting firm, Frost & Co., which had been sued for improper auditing of Madison.

The $1 million settlement in the case, which has drawn severe criticism from members of Congress, was only a fraction of the insurance Frost carried. The Rose firm's fees were 40 percent of the money recovered in the settlement.

In a letter to the FDIC inspector general, Rep. Jim Leach, Iowa Republican, urged an investigation of that deal. "Mr. Hubbell settled the suit for a fraction of the firm's insurance coverage, and then had the gall to demand $400,000 in fees," he said.

Sen. Lauch Faircloth, North Carolina Republican, wrote to the acting director of the FDIC this week urging that the Hubbell connection to the Madison case be investigated further.

"It would appear either that Mr. Hubbell did a significant amount of work on the case, and thus had a conflict of interest, or that Mr. Hubbell did an insignificant amount of work and padded the bill to make it appear as if he did do a significant amount of work," Mr. Faircloth wrote.

When the Rose Law Firm sought the contract in the suit against Frost & Co., which in 1985 had found Madison solvent, it raised red flags for federal officials handling the Madison meltdown.

Paul Jeddeloh, a staff attorney for the FDIC, wrote to April Breslaw, the lawyer handling the matter for the federal agency in Washington, expressing his concerns in June 1989.

He pointed out that Mr. Hubbell's father-in-law, Seth Ward, was a "Madison insider" who "was able to obtain a judgment against Madison of approximately $447,000."

David Paulson, FDIC managing agent of Madison, expressed the same concerns as Mr. Jeddeloh in letters to Ms. Breslaw.

Reached at his office yesterday, Mr. Paulson, now an auditor at Agribank in Minneapolis, said: "We had concerns from the start. We tried to elevate those concerns to a higher level in Washington, but we never got it resolved. A prudent individual would have drawn the conclusion that there was a conflict."

Mr. Paulson said that it had been emphasized that the federal regulators were trying to clear up an S&L mess that "stunk with insider deals. The word at the time was that we were to take ultimate care on possible conflicts; we were here to clean up that mess; and we didn't want our integrity impaired."

Another federal regulator, FDIC credit specialist Kenneth Schneck, wrote in August 1989 that "an apparent conflict exists in that Mr. Hubbell is the son-in-law

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SATURDAY, MARCH 5, 1994 The Washington Times

Whitewater counsel subpoenas 6 in White House

By Paul Bedard
THE WASHINGTON TIMES

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The FBI last night subpoenaed six top White House officials, three Treasury Department officials and documents relating to their meetings at the White House concerning a federal probe of a failed Arkansas thrift linked to President Clinton.

The subpoena, served by an FBI agent to all six in the White House counsel's office, forced the White House to delay until today the ouster of Counsel Bernard W. Nussbaum. A senior administration official said Mr. Nussbaum would resign today.

Mr. Nussbaum, under fire for his secret meetings with Treasury officials, was one of the six White House aides subpoenaed in special counsel Robert B. Fiske Jr.'s investigation of Madison Guaranty Savings and Loan Association of Little Rock, Ark.

Mr. Fiske is investigating whether Madison's owner, James B. McDougal, diverted depositor money to Mr. Clinton's 1984 gubernatorial campaign and to the Whitewater Development Corp., a land deal in which Mr. McDougal and his wife, Susan, were partners with the Clintons.

Also subpoenaed were senior presidential adviser Bruce Lindsey; Communications Director Mark Gearan; Deputy Chief of Staff Harold Ickes; Lisa Caputo, first lady Hillary Rodham Clinton's press secretary; and Margaret A. Williams, Mrs. Clinton's chief of staff.

Legal experts said the special counsel's action was swift and sent a signal to the White House that he isn't going to allow meddling in his probe.

"It was the prudent thing to do," Washington lawyer Jed L. Babbin said.

Mr. Clinton, who was attending the musical "Grease" at the National Theater when White House spokeswoman Dee Dee Myers announced Mr. Fiske's action, had no comment.

Miss Myers said in statement that the FBI delivered the subpoena at 7 p.m. It demands "the production of documents concerning conversations between the White House and the Department of Treasury or Resolution Trust Corp. (RTC) with regard to the Madison Guaranty matter," she said.

"The White House will comply fully and promptly with the subpoena," Miss Myers said.

The White House has said Mr. Nussbaum attended at least three meetings with RTC and Treasury officials:

- In late September Mr. Nussbaum and Deputy Treasury Counsel Jean Hanson discussed the naming of the Clintons in the RTC's probe of Madison.

Federal regulators closed Madison in 1989 at a cost of $50 million.

- RTC officials met at the White House in October with Mr. Nussbaum, Mr. Gearan, Mr. Lindsey, Ms. Hanson, and two Treasury officials — Jack Devore, Treasury Secretary Lloyd Bentsen's spokesman at the time, and Josh Steiner, Mr. Bentsen's current chief of staff.
- A meeting was held early last month at the request of Deputy Treasury Secretary Roger C. Altman, who is the acting head of the RTC, in Mr. Nussbaum's office. It included Mr. Ickes and Ms. Williams.

Mr. Altman, Ms. Hanson and Mr. Steiner also received subpoenas last night.

Those meetings, which gave the impression that the White House received inside information on the Madison investigation, sparked congressional calls for Mr. Nussbaum's firing and for hearings to probe the gatherings.

At a news conference yesterday with Ukrainian President Leonid Kravchuk, Mr. Clinton said he had

see SUBPOENA, page A11

SUBPOENA

From page A1

taken measures to block future meetings between White House officials and outside agencies looking into the Whitewater-Madison affair.

"Let's don't mess it up. I mean, I've made it as clear as I can: Bend over backwards to avoid any appearance of conflict; set up a fire wall between the White House and any of the appropriate agencies; have a central point of contact if anyone calls us," Mr. Clinton said.

To prevent any shredding or other disposal of documents detailing discussions at the meetings, White House Deputy Counsel Joel Klein issued three memos to all White House staff forbidding such action.

His memos bar the removal of all "burn bags," trash and computer records in the White House "Oasis" computer system in the West Wing. That rule is in effect until just before the six senior staffers testify.

The provision was apparently sought to a White House version of the shredding of Madison- and Whitewater-related documents that sources say took place at Little Rock's Rose Law Firm, the former employer of Mrs. Clinton and others in the administration.

"The destruction of documents after receipt of this subpoena may constitute obstruction of justice," Mr. Klein wrote in a three-page summation of the subpoena.

Administration officials said the FBI will collect the documents next week.

Mr. Klein's directive came a day after the White House issued ethics rules governing meetings between its officials and federal agencies looking into Whitewater-Madison. Mr. Nussbaum wrote the rules.

And the special counsel's subpoena came a day after Mr. Bentsen's request for the independent Office[illegible]overnment Ethics to investi[illegible]e meetings between his s[illegible] the White House.

The subpoena could be politically devastating to the White House because it brings the Whitewater probe directly into the West Wing.

The story is expected to escalate today when Mr. Nussbaum resigns after defying the president[illegible] day. Mr. Clinton held a m[illegible] with the former Wall Street law[illegible]

yesterday, but the counsel deferred requests for his resignation until today, after the legal impact of the subpoena could be evaluated.

The expected resignation and the subpoena are coming not long after Mr. Clinton bragged that his administration is scandal-free.

BERNARD W. NUSSBAUM, WHITE HOUSE COUNSEL



Born: March 23, 1937

Education: Columbia University, B.A. 1958; Harvard University, LL.B. 1961; George Washington University School of Law, honorary doctorate 1993.

Occupation: Lawyer, federal official

Family: Married; 3 children

Religion: Jewish

Political career: Assistant U.S. attorney, Southern District of New York, 1962-1966; lawyer and senior partner, Wachtell Lipton, Rosen & Katz in New York, 1966-1993; senior counsel to House Judiciary Committee during impeachment inquiry of Richard Nixon, 1974; counsel to President Clinton, 1993.

Source: Who's Who in America 1994, White House biography

The Washington Times

SATURDAY, MARCH 5, 1994 The Washington Times

Fiske and assistant both have history of giving to GOP

By Lisa Hoffman
SCRIPPS HOWARD NEWS SERVICE

The special counsel investigating Whitewater-Madison and a lawyer he has hired to assist him have made sizable campaign contributions to Republicans in the past several years.

Federal Election Commission records show that Whitewater special counsel Robert B. Fiske Jr. has given $5,300 to the Republican National Committee and Republican candidates since 1992.

A Wall Street lawyer and former U.S. attorney in New York, Mr. Fiske has long-standing Republican ties.

One recipient of Mr. Fiske's donations — Sen. Alfonse M. D'Amato, New York Republican, to whom Mr. Fiske contributed $1,000 in 1992 — is now one of the sharpest critics of President Clinton's Whitewater dealings.

William Duffey — an Atlanta lawyer whom Mr. Fiske hired Feb. 23 to help in the wide-ranging investigation of Whitewater and its connections to Mr. Clinton and Hillary Rodham Clinton — has contributed even more.

In the past two years, Mr. Duffey donated a total of $7,000 to Republicans, including $1,000 to the Bush-Quayle presidential primary campaign in 1992, records show. He said in an interview he also has given to Democrats in the past, and considers political contributions part of a citizen's responsibility.

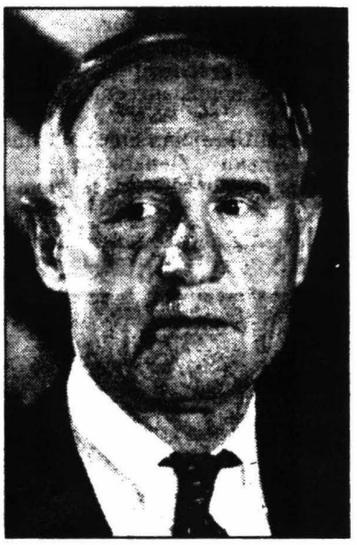
Attorney General Janet Reno picked Mr. Fiske Jan. 20 to head the inquiry, praising his integrity and fairness.

Miss Reno gave him a broad mandate to investigate the relationships of the Clintons with Madison Guaranty Savings and Loan Association, Whitewater Development Corp. and Capital-Management Services Inc., all in Arkansas.

The inquiry also will encompass the July 1993 death and affairs of White House Deputy Counsel Vincent W. Foster Jr.

Mr. Fiske last month hired seven lawyers to work with him on the Little Rock-based investigation, which could take as long as 18 months.

Among them was Mr. Duffey, a partner in the high-profile Atlanta firm of King and Spalding. Mr. Duffey is an expert on banking law, and specializes in complex internal investigations.



Robert B. Fiske Jr.

In 1993, FEC records show, Mr. Duffey gave $1,500 to the Georgia Republican Party and a political action committee established by Sen. Paul Coverdell, Georgia Republican. Mr. Duffey also contributed $3,250 to Mr. Coverdell in 1992, when he was in a tough race against incumbent Sen. Wyche Fowler, Georgia Democrat.

Aside from the $1,000 he contributed to Mr. D'Amato, Mr. Fiske also gave former U.S. Attorney General Dick Thornburgh $1,000 in 1991, when Mr. Thornburgh unsuccessfully ran for the Senate in Pennsylvania.

Mr. Thornburgh, when he was attorney general, had pushed for Mr. Fiske to be named to the No. 2 Justice Department post in 1986, but conservative Senate Republicans objected.

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EDITORIALS

A scandal brewing

White House Counsel Bernie Nussbaum's job is to resolve legal and ethical problems for the Clinton administration, not create them. Through a series of mindless blunders, though, Nussbaum and the rest of the White House Damage Control Gang have succeeded in turning what began as a minor curiosity into a full-fledged scandal.

Several administration officials, including Deputy Treasury Secretary Roger Altman, have acted improperly in ways that seriously compromise ongoing investigations into the Whitewater affair.

And Friday night the FBI came calling. At the White House, six of the president's senior officials, including Nussbaum, were subpoenaed. Altman was among the three subpoena recipients at Treasury.

Nussbaum's indiscretions, however, are the most numerous and least defensible. In fact, his repeated intrusion into what should be a thoroughly independent inquiry has raised far more suspicion than the original allegations have. There still is no hard evidence that President or Mrs. Clinton did anything illegal in connection with an Arkansas savings and loan and the Whitewater real estate venture, but Nussbaum keeps behaving in ways that suggest somebody important has something to hide.

Nussbaum's suspicious involvement in this case began in the hours immediately following the apparent suicide of his deputy, Vincent Foster. Nussbaum ordered sensitive files, including some related to Whitewater matters, removed from Foster's office. He then balked at complying with investigators' subsequent efforts to obtain the documents.

If Nussbaum truly didn't anticipate how suspicious those actions would look, the ensuing criticism should have chastened him. Incredibly, though, he continued to inject himself into the Whitewater investigation in ways that suggest a purposeful effort to subvert the process. He participated in three meetings in which Treasury Department officials passed on what should have been confidential information about the Arkansas cases.

These and other examples of abuse of power — including his attempt to use the FBI for political purposes in last year's flap over the White House travel office — provide more than enough evidence to conclude that Nussbaum lacks the requisite sense of propriety and discretion for the White House counsel's job. In fact, there was talk Friday night that he was planning to resign.

But what of Nussbaum's boss? When Treasury Secretary Lloyd Bentsen learned that two of his top assistants had improperly briefed White House officials about the Arkansas probes, he left no doubt about the depth of his displeasure. But President Clinton still seems afflicted with ethical tone-deafness. He has been far too tepid in his criticism of White House aides whose indiscretions have done him a disservice, just as he originally was too slow to recognize the political need to turn this case over to an independent counsel.

Unfortunately, these lapses are characteristic of a president who generally doesn't seem to care very much about the appearance of impropriety.

The perception created by his ethical missteps helps to perpetuate even the most far-fetched rumors. Did Vince Foster really commit suicide? What are we to make of the grand jury testimony of the young Rose Law Firm courier who says he was ordered to shred documents that came from Foster's files? Just how tangled are the conflicts that Mrs. Clinton and Associate Attorney General Webster Hubbell created for themselves in Arkansas and Washington?

As is usually the case, the rumors are bad, but the hard evidence of a coverup is worse. Until the president moves resolutely to demonstrate that he and his family have nothing to hide, he will bear primary responsibility for the deepening political trouble in which he now finds himself.

If he and his administration are capable of straight thinking, straight talk and direct action, now is the time to show it.

Editorial 5 -Composite Proof 3/4/93 1:59 0:08

The Dallas Morning News
Saturday, March 5, 1994

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EDITORIALS

WHITEWATER, AGAIN

Altman and Nussbaum should go

President Clinton keeps saying no one has anything to worry about in the current investigation of his and Mrs. Clinton's connection to a failed Arkansas savings and loan in the 1980s. Now, if only he could convince his own aides of that.

In recent months, officials from the White House and the Treasury Department met at least three times to discuss an inquiry by the Resolution Trust Corp. into Madison Guaranty Savings and Loan of Little Rock. The acting chief of the agency, Roger Altman, who is also deputy treasury secretary, has admitted calling one of the meetings. On two other occasions, Treasury officials met with White House counsel Bernard Nussbaum.

On Thursday, Treasury Secretary Lloyd Bentsen ordered his subordinates to cease all contact with the White House about the Madison case, which has become widely known as "Whitewater." Mr. Clinton now agrees that the meetings should not have occurred.

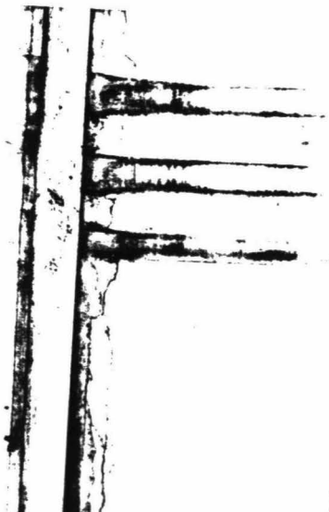
The plot thickened Thursday when an employee of Mrs. Clinton's old employer, the Rose Law Firm, reportedly told a federal grand jury in Little Rock that files pertaining to the late White House lawyer Vincent W. Foster Jr. had been ordered destroyed. Did the shredding commence after special counsel Robert Fiske Jr. announced that he was expanding the scope of his investigation into Madison and Whitewater to include Mr. Foster's suicide? If so, the shredding may have been illegal.

Blurred lines of authority leading to and administration. Whether it's Mr. Altman at the Treasury or Webster Hubbell at the Justice Department, it is obvious that those officials are more interested in accommodating the White House than they are in doing their jobs. As Mr. Altman has been touted as a candidate for Mr. Bentsen's job, should the latter choose to leave, the tragedy of errors so far may be just a prelude of things to come.

For his part, White House counsel Nussbaum suffers both from bad judgment and incompetence. Beginning with his plodding oversight of high-profile presidential nominations to his heavy-handed interference in the investigation of National Park Service police into Mr. Foster's suicide, Mr. Nussbaum has repeatedly failed. He and Mr. Altman should have the good grace to tender their resignations.

Special counsel Fiske now has his work cut out for him. He should use his powers to obtain all notes taken at the Treasury-White House staff meetings, and he should formally ask the two best-known former associates of the Rose Law Firm in the administration, Mrs. Clinton and Mr. Hubbell, what they know about the destruction of related documents.

Mr. Clinton himself has been all too detached from what is going on around him. And he has been ill served by aides who misunderstand that their role is not just to defend and protect the president, but to help keep him out of trouble in the first place. But in the end, if Mr. Clinton will not set them straight, he has no one to blame but himself.



3/6/94

ew Role, New Troubles

Whitewater Inquiry Is Putting First Lady At Center of Embarrassing Ethical Issues

By MAUREEN DOWD
Special to The New York Times

A1

WASHINGTON, March 5 — Subpoe-
s and suspicions are flying. Every-
dy in Washington and Arkansas sud-
nly seems to be investigating and
aming everybody else. The President
is having troubles, again,
and the First Lady is not
just a supportive spouse,
standing by her man with
a glazed smile. Hillary
odham Clinton, herself, is smack at
e heart of the matter.

News Analysis

Bernard W. Nussbaum, the First La-
y's old friend and mentor, was pushed
f the sled of state today, following
resident Clinton's admission that the
hite House counsel had made im-
rop[illegible]tacts to review the status of
c[illegible]ial Federal investigation
to[illegible]ansas savings and loan re-
ted [illegible]e Whitewater affair.

But if Mr. Nussbaum sinned, some
ntend, it was only in being too loyal to
s prince and princess.

"There's no evidence he's done any-
ing contrary to the Clintons' direc-
on," said William Kristol, the director
f the Project for the Republican Fu-
ure. "The Clintons have an extraordi-
ary inability to distinguish public
rom private, official from personal."

Today, senior Clinton aides tried to
nvoke the classic Washington "Beck-
tt" defense, saying that while the Clin-
ons may have wanted to be rid of their
neddlesome problems, they did not
want the rules broken. Mr. Nussbaum,
who has been quoted as saying that he
elt he had two clients — Bill and
Hillary Clinton — "sometimes went the
extra mile as a way of ingratiating
himself with Hillary, even though that
was not always what she wanted," said
a Clinton aide.

Problems are piling up for the First
Lad[illegible] Clinton and the three law-
yer[illegible]rought to top jobs in the
Ad[illegible]tion — Mr. Nussbaum; Vin-
cent [illegible]. Foster Jr., his deputy who
committed suicide last summer, and
Associate Attorney General Webster L.
Hubbell — are enmeshed in embar-
rassing ethical questions.

The Rose Law Firm in Little Rock,
where Mrs. Clinton, Mr. Foster and Mr.
Hubbell were partners, is being investi-
gated by the special prosecutor for
Whitewater about document shredding
and Government contracts in savings
and loan cases. And, making matters
even stickier, the firm has begun its
own inquiry into whether Mr. Hubbell
overbilled clients and misused money.

On top of all that, the health care
plan that the First Lady developed and
shepherded is losing public support be-
cause many Americans see it as too
complicated and intrusive. And her
younger brother, Hugh Rodham, is
trading on her name in a stumbling bid
for the United States Senate in Florida.

Mrs. Clinton's mood is not likely to
be lightened by the agonizing over the
departure of Mr. Nussbaum. The coun-
sel's friends said that the First Lady
had talked to him with concern in the
last few days about face-saving ways
he could leave the White House.

At times in the last 14 months, Mrs.
Clinton has dazzled Washington as she
tried to drag a dinosaur role into mod-
ern times. She has worked hard to
please everyone and satisfy herself,
creating an awkward hybrid of com-
forting old First Lady rituals and un-
settling new co-Presidential power
structures. But Clinton strategists
have always felt there was a risk inher-
ent in the ambiguity of Mrs. Clinton's
position: She is exercising power with-
out an official title. She is the first
Presidential spouse with her own pow-
er base in the White House and her own
set of top officials throughout the gov-
ernment who owe their jobs, and loy-
alty, to her as much as to her husband.

Tangled Lines of Authority

Even those close to the Clintons com-
plain that this has created confusion,
especially in a White House that has a
quotidian struggle with tangled lines of
authority and the tendency to trip on
them.

"It's hard to run a White House with
nobody in charge," said an influential
Democratic friend of the Clintons. "It's
especially hard to run a White House
with nobody in charge and two Presi-
dents."

Everyone in the Administration
knows that power is centralized at the
White House in the hands of Bill and
Hillary Clinton. David R. Gergen, hired
as the White House troubleshooter,
seems too worried lately about his own
future to help in this time of trouble.
And the weak chief of staff, Thomas F.
McLarty 3d, has announced each time
the White House was guilty of misusing
Federal agencies that he knew nothing
about it.

As Senator Bob Dole mocked this
week: "Mack McLarty, the chief of
staff, has issued a memo: 'You cannot
do this anymore because they have
caught us.'"

Fears of First Lady

Marlin Fitzwater, the press secre-
tary for President George Bush and
spokesman for President Ronald Rea-
gan, said that the blind spots that al-
ways exist with regard to a First Lady
are intensified when the spouse has
such unprecedented power. "The sen-
ior staff always fears crossing a First
Lady," he said. "Partly, it's the respect
for the office of First Lady. Partly, it's
a man-woman thing. You're afraid that
when she's home with the President,
she'll repeat the charges against you
every night for the rest of your life."

Many high-ranking Clinton officials
confess that on matters from the First
Family to health care to Whitewater,
they are afraid to challenge Mrs. Clin-
ton, or even to give her honest advice
about things they fear are being han-
dled wrong.

"No one wants to tell Bill, or espe-
cially Hillary, that they can't do things
the way they're used to doing them,"
explained a top Administration official.
"And so many of these people around
them are old friends, that you can't just
break into the circle."

Even Mr. Fitzwater, far from the
reach of the White House, pleaded hu-
morously: "Don't say I said anything
bad about Hillary. I'm as scared of her
as everyone else."

'A Dangerous Pattern'

The Republicans, who recognize an
abuse of executive branch power when
they see it and who are desperate to
deflate a President buoyed by a strong
economy, are yelping.

"A dangerous pattern seems to be
emerging," Mr. Dole said on the Senate
floor, adding, "No doubt about it, you
are asking for big, big trouble and
showing some stunningly bad judg-
ment when you start mixing politics
with law enforcement."

Mr. Dole took the opportunity to re-
mind everybody of the travel office
fiasco last spring, in which Mr. Nuss-
baum and other White House aides
violated the rules and pressured the
F.B.I. to attend a strategy meeting and
put out a press release helping to justi-
fy the White House's peremptory dis-
missal of travel office staff members.

An inquiry focuses on the First Lady and her law firm.

The self-critical White House report
on that debacle revealed that Mrs. Clin-
ton had strongly supported the original
investigation into the travel office,
spurred by her Hollywood pal, the pro-
ducer Harry Thomason, who was upset
that his associates in the airline indus-
try were cut out of White House busi-
ness. The First Lady was informed
about the planned dismissal two days
before the President.

Two months later, law-enforcement
officials accused Mr. Nussbaum of im-
peding their investigation of Mr. Fos-
ter's death: He kept from investigators
a file on the Clintons' involvement in
Whitewater. The night of Mr. Foster's
death, Margaret Williams, Mrs. Clin-
ton's chief of staff, was with Mr. Nuss-
baum as he searched his deputy's of-
fice, before police investigators had a
chance to do so.

Others suggest that the Clintons be-
came so steeped in the defensive cam-
paign methods and the incestuous polit-
ical ways of Arkansas that they did not
realize that governing in Washington
required different standards.

"I don't think it's unusual when peo-
ple come out of one of these loose-
governing, second-echelon states, that
they develop a sense that power is
there to be used on their behalf," said
Kevin Phillips, a conservative author
writer and analyst.

Paul Costello, who worked as a press
secretary for Rosalynn Carter when
she was First Lady and for Kitty Duka-
kis during the 1988 campaign, thinks
that Mrs. Clinton is being unfairly tar-
geted because she is the first First
Lady "who doesn't apologize for hav-
ing power and playing the game."

"The price for that in Washington is
immolation," Mr. Costello said.

Her friends see her plight as poign-
ant. As one Administration official who
is close to the First Lady put it: "She is
finally where she wanted to be all her
life. And she's not enjoying it. Her
father died. Vince Foster died. And she
feels her credibility has been badly
hurt by the focus on her role in White-
water."

Memories of Watergate

Several White House officials por-
trayed Mrs. Clinton, who appears to be
more of a central figure than her hus-
band on Whitewater, as the one who
held out against the appointment of a
special counsel.

Whenever the White House has been
accused of bending the rules, officials
have pleaded inexperience or protested
that they had done nothing wrong, as
Mr. Clinton did when the news hit this
week that Mr. Nussbaum and Treasury
officials had spoken about an investiga-
tion concerning the Clintons.

People immediately began com-
menting on the inherent irony: Hillary
Rodham first met Mr. Nussbaum when
he was the associate Watergate special
prosecutor and he hired her to work on
the House Judiciary panel drawing up
impeachment charges. So, people won-
der, wouldn't two crusading Democrat-
ic lawyers who began by watching
Richard M. Nixon wither away be espe-
cially vigilant about the importance of
not abusing the integrity of Federal
investigative agencies?

Some Republicans and Administra-
tion officials suggest that the Clintons
and their inner circle believe that they
are the "good guys" who want to help
the country, not Republican "bad
guys," so their motives should not be
questioned so much when there's an
appearance of irregularity.

"These are people who come from
the Watergate era, that's so important
to understand," said one top Adminis-
tration official today. "They all say to
themselves: 'I know what the deal is.
I'm not Ehrlichman or Haldeman. I
was there. I know better. I'd never be
involved in anything wrong like that.' It
can blind you to what everybody else
sees."

Mr. Kristol, watching from the out-
side, agreed. "The politics of meaning
absolves you from the politics of law
abidingness," he said.

Continued on Page 22, Column 1

The Whitewater Inquiry Claims a Casualty

By GWEN IFILL
Special to The New York Times

WASHINGTON, March 5 — Bernard W. Nussbaum, the White House counsel, agreed to resign today in an effort to set aside mounting questions over his repeated contacts with Federal officials who are investigating President and Mrs. Clinton's ties to a failed Arkansas savings and loan.

The move came a day after 10 White House and Treasury Department officials were subpoenaed by the grand jury that is investigating whether there was any improper financial relationship between the failed thrift, Madison Guaranty, and the Whitewater Development Company, a real estate venture in which the Clintons were partners.

The subpoenas brought by the special prosecutor, Robert B. Fiske Jr., and Mr. Nussbaum's departure, which is effective on April 5, shifted the focus from business dealings in Arkansas to the behavior of top Administration officials since the investigation began. The actions left White House officials reeling, and the mood in their offices today ranged from bitter to resigned.

Elusive Goal

In forcing Mr. Nussbaum's resignation, White House aides hoped to take another step toward the goal that has eluded them for months: to isolate the Whitewater matter and keep it from further tarnishing the President. But no one would hazard a guess today that this had been accomplished.

Mr. Nussbaum defended his actions in a four-paragraph letter delivered to President Clinton late this morning, maintaining that as the President's lawyer he had run the counsel's office "in an absolutely legal and ethical manner."

"Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House Counsel, I now believe I can best serve you by returning to private life," Mr. Nussbaum wrote.

Mr. Nussbaum's letter was drafted after he met with Mr. Clinton in the Oval Office for more than an hour on Friday evening. Mr. Clinton, who had told Mr. Nussbaum during that conversation that he could no longer stay on, immediately accepted the resignation today with what he said was "deep regret."

'Serving Is Hard'

"It has been said that the best a man can give is his living spirit to a service that is not easy," Mr. Clinton wrote in the response. "And we have worked together in Washington at a time when serving is hard."

Mr. Nussbaum's departure, delayed for a month so that the White House chief of staff, Thomas F. McLarty 3d, could find and hire his successor, comes at a particularly turbulent time in the White House, which is attempting to sell a health care plan that appears to be rapidly losing public support.

The 57-year-old Mr. Nussbaum continued to work in his office in a jacket and tie this afternoon as Mr. Clinton and his family left to spend the rest of the weekend at Camp David.

Mr. Nussbaum, who was the senior

Continued on Page 22, Column 5

Nussbaum Stepping Down As Counsel to White House

Continued From Page 1

lawyer on the Senate Watergate committee that laid out the case for impeaching President Richard M. Nixon, met Mrs. Clinton when she was a junior member of the committee's staff. They remained especially close, and he made a special mention of the value he attached to their friendship in his letter of resignation.

Some officials said, however, that his loyalty to the Clintons became a liability as he appeared to step in repeatedly to shield the President and the First Lady from embarrassment on matters involving the growing Federal investigation.

Along with Mrs. Clinton, Mr. Nussbaum had resisted appointing a special counsel to look into the Whitewater matter, creating a delay that gave Congressional Democrats pause and Republicans fodder to charge that a cover-up was under way.

Republican Skepticism

Senator Alfonse M. D'Amato, Republican of New York, issued a statement today calling it "inconceivable" that President Clinton and his wife were unaware that Mr. Nussbaum was meeting with Treasury officials to discuss the case.

"These White House staffers are just scapegoats," the Senator said. "They work for the President, and the President is responsible for his staff."

Mr. Nussbaum was also involved in several other embarrassing incidents during the Clintons' first year, including the fitful search for an Attorney General, the decision to drop the nomination of Lani Guinier to the Justice Department's chief civil rights post, the dismissals of several travel office employees and the cataloguing and hasty removal of papers from the office of his deputy, Vincent W. Foster Jr., who died last July in an apparent suicide.

In issuing the subpoenas, Mr. Fiske also asked the White House to produce documents relating to the case.

There was no indication that the subpoenas were issued for anything other than information-gathering purposes, and Joel Klein, the White House deputy counsel, immediately instructed White House staff, janitors and technicians not to destroy information and documents in files, computers, waste baskets and burn bags.

Discussions Acknowledged

The legal action came after Mr. Nussbaum, Deputy Treasury Secretary Robert C. Altman and other officials acknowledged that they had discussed the Federal investigation of Madison Guaranty, the Arkansas-based savings and loan that was headed by James B. McDougal, Mr. Clinton's partner in the Whitewater company. Mr. Altman is the acting head of the Resolution Trust Corporation, the government agency that is charged with disposing of failed savings and loans associations and that is conducting the investigation.

Mr. Nussbaum attended each of three meetings that have drawn Mr. Fiske's attention. He held one conversation with Jean Hanson, the lawyer for the Treasury Department, in early October last year, about a week before the Resolution Trust Corporation asked the Justice Department to investigate the failure of Madison. Mr. Nussbaum also participated in a meeting with several other senior aides in which Mr. Altman discussed the status of the Resolution Trust investigation and met with press officials who were presenting reporters' questions.

In addition to Mr. Nussbaum, only Ms. Hanson took part in all three of the sessions. The two were the only participants in what White House officials have described as the most troublesome encounter, on Sept. 29. In that meeting, Ms. Hanson told Mr. Nussbaum that the Clintons would be mentioned as possible beneficiaries of illegal actions in the Resolution Trust Corporation's request for a Justice Department investigation of Madison.

Aides Subpoenaed

The six White House aides subpoenaed to testify were Mr. Nussbaum; Bruce Lindsey, a senior adviser to Mr. Clinton; Harold M. Ickes, the deputy chief of staff; Mark D. Gearan, the communications director; Maggie Williams, the chief of staff to Hillary Rodham Clinton, and Lisa Caputo, Mrs. Clinton's press secretary.

At the Treasury Department, Mr. Altman, Ms. Hanson and Josh Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, were subpoenaed, along with Jack DeVore, who was previously Mr. Bentsen's chief spokesman.

Mr. Altman this week released a letter he wrote on Thursday to Senator Donald W. Riegle, the chairman of the Senate Banking Committee, in which he said that an ethics officer in the Treasury Department had said in advance that such a meeting would be "no problem."

After revealing the meeting in testimony to Congress late last month, Mr. Altman said he would recuse himself from future participation in the matter. White House and Treasury Department officials said today that there had been some White House unhappiness about Mr. Altman's decision to recuse himself but that no one had directly suggested to him that he should change his mind.

Others, however, including Vice President Al Gore, supported Mr. Altman's decision to recuse himself. Some officials had also urged White House strategists to acknowledge the impropriety of the meetings up front and state that they would never occur again.

White House Intransigence

But White House spokesmen did not reverse themselves and admit that such meetings could be considered improper until Republicans, and some Democrats, in Congress began to complain that the exchanges of information were inappropriate.

The White House intransigence swung the spotlight back to Mr. Nussbaum from Mr. Altman and, officials said, it finally became inevitable that Mr. Nussbaum, who had emerged as the common denominator in several White House embarrassments, would have to resign.

But Mr. Nussbaum resisted previous calls for his resignation, and in the exchange of letters today both he and Mr. Clinton called attention to the White House counsel's achievements, including the successful appointments of Supreme Court Justice Ruth Bader Ginsburg, Attorney General Janet Reno and Louis J. Freeh, the director of the Federal Bureau of Investigation.

White House officials said that the Government would not provide lawyers for the staff members who have been subpoenaed, and it remained unclear how many of them would have to testify in person before the grand jury and where that would occur.

In the meantime, some staff members are furious at having been drawn into a mess that they had worked so hard to set aside at a time when they were trying to focus on legislative matters.

"It's not because anybody did anything wrong," said one White House official. "I don't think anybody did anything wrong. It's just the idea that you have to call home and explain it."

The Whitewater Inquiry An Exchange of Letters

Text of Resignation Letter and Clinton Repl[illegible]

Special to The New York Times

WASHINGTON, March 5 — Following is the text of the letter of resignation sent to President Clinton today by Bernard W. Nussbaum, the White House counsel, and excerpts from the President's letter in response:

Dear Mr. President:

It has been a great honor and privilege to serve you as Counsel to the President. I am proud of the accomplishments of this Administration and those that I know will be achieved in the months and years to come. I am also proud of the many contributions my office has made to the wide array of policy initiatives of your Administration.

It was also an honor to have assisted in your choice of Janet Reno to be Attorney General of the United States, Louis J. Freeh to be the Director of the Federal Bureau of Investigation, and Ruth Bader Ginsburg to sit on the Supreme Court of the United States. I am particularly proud of assisting in your selection of more than 60 men and women of the most distinguished and diverse backgrounds ever to serve on the Federal bench.

As I know you know, from the day I became Counsel, my sole objective was to serve you as well and as effectively as I could, consistent with the rules of law, standards of ethics, and the highest traditions of the Bar. At all times I have conducted the

[illegible] Counsel to the President in an absolutely legal and ethical manner. Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House Counsel, I now believe I can best serve you by returning to private life. With this letter I am therefore tendering my resignation. It will be effective April 5. 1994, to assist you in arranging for an orderly transition in the Counsel's office.

friendship [illegible] and that of the First Lady, and will always be grateful for the opportunity you gave me to serve. I wish you both the very best.

Dear Bernie:

With deep regret, I accept your decision to resign as Counsel to the President. Your friendship and advice have meant a great deal to me over the years.

During your tenure, this Administration named the highest percentage of women and minorities to the Federal Judiciary in history, while meeting, in a vast number of cases, the highest standards set by the American Bar Association.

. . .

It has been said that the best a man can give is his living spirit to a service that is not easy. And we have worked together in Washington at a time when serving is hard. But you gave this Administration one of its liveliest spirits and keenest minds, along with your special reverence for duty and friendship. For these contributions, I will be forever grateful; for your accomplishments, I hope you will be forever proud.

Important Events in the Whitewater Affair

A brief chronology of events leading up to the resignation of Bernard Nussbaum on Saturday.

MARCH 1992 A newspaper article raises questions about Gov. Bill Clinton's investment in a real estate venture called the Whitewater Development Company. Mr. Clinton, who was campaigning for the White House, was a partner with James B. McDougal, the owner of Madison Guaranty Savings and Loan, which failed in 1989. Hillary Rodham Clinton and Mr. McDougal's wife, Susan, were also partners.

FALL 1992 The Resolution Trust Corporation, the Federal agency charged with disposing of failed savings and loans, asks the Justice Department to take another look at Madison Guaranty, particularly at overdrafts it allowed Whitewater. The Justice Department is reluctant to take on a case that could be seen as a political attack by the Bush Administration on Mr. Clinton during the election campaign.

DECEMBER 1992 Mr. McDougal buys out the Clintons' remaining interest in Whitewater. The Clintons' lawyer is Vincent W. Foster Jr., a partner in the Rose Law Firm. Mrs. Clinton resigned her partnership in that firm after the election.

JULY 1993 Mr. Foster, now the deputy to Bernard W. Nussbaum as White House counsel, is found dead in a northern Virginia park from a bullet in the head. Police rule it a suicide. Mr. Nussbaum removes Whitewater documents from Mr. Foster's office, a fact that does not become known until late December.

OCTOBER 1993 The Resolution Trust Corporation again asks the Justice Department to investigate the failure of Madison Guaranty. A week before the request is made, Jean Hanson, general counsel at the Treasury Department, meets with Mr. Nussbaum to inform him of the investigation and to say that the Clintons, while not subjects, would be named in the papers.

JAN. 12, 1994 President Clinton, responding to a growing chorus for an investigation of Whitewater, asks Attorney General Janet Reno to appoint a special prosecutor.

JAN. 20 Ms. Reno names Robert B. Fiske Jr. to head the investigation.

FEBRUARY Deputy Treasury Secretary Roger C. Altman acknowledges meeting with Mr. Nussbaum and other White House aides to tell them of the status of the Resolution Trust investigation of Madison.

FEB. 25 Responding to criticism of that meeting, Mr. Altman recuses himself from all actions involving Madison or Whitewater and steps down as head of the Resolution Trust Corporation.

MARCH 3 The Washington Post discloses two meetings between White House and Treasury officials in October on the status of the Whitewater investigation.

MARCH 5 Mr. Nussbaum offers his resignation.

THE NEW YORK TIMES, SUNDAY, MARCH 6, 1994

Move Intended to Quiet Questions on Clinton's Land Deal Seems to Backfire

By STEPHEN ENGELBERG
Special to The New York Times

WASHINGTON, March 5 — There were many in the White House, including President Clinton, who hoped that the appointment in January of Robert B. Fiske Jr. as a special counsel would ease political pressure stemming from Mr. Clinton's Arkansas business dealings.

For a few weeks, it looked like a savvy move. Stories about an investment by Mr. Clinton and his wife, Hillary, in real estate in the Ozark Mountains largely disappeared from the front pages and network news programs as Mr. Fiske hired a staff and set up shop.

But the subpoenas served Friday on three Administration officials suggest that the relief was illusory and that Mr. Clinton's White House may well be hostage to the workings of a grand jury for months or even years.

Mr. Fiske's subpoenas — served on Treasury officials involved in three meetings with White House aides to discuss a failed Arkansas savings and loan with ties to the Clintons — also illustrates how quickly the inquiry has reached inside the Clinton White House. Until now, much of the focus has been on the murky details of business deals that unfolded long before Mr. Clinton was elected President.

Common Practice

Samuel Dash, the Georgetown University law professor who was chief counsel to the Senate Watergate Committee, said Mr. Fiske's subpoenas were a straightforward use of the grand jury, a move copied by hundreds of prosecutors every day.

Mr. Dash said: "You hear an allegation. You order people to come forward. You order them to bring records. And you order them not to destroy anything. That's what any good prosecutor does."

But Mr. Dash acknowledged that grand jury proceedings, however routine, produce "smoke," suggestions that behind closed doors prosecutors are questioning someone who has done something wrong. In fact, he noted, being called as a witness could suggest the opposite, since prosecutors typically avoid calling witnesses who might become targets of criminal prosecution.

He acknowledged, however, that neither the public nor Mr. Clinton's political opponents were likely to appreciate such distinctions.

Nonetheless, subpoenas of White House officials are unusual. In the Watergate case, President Richard M. Nixon made broad claims of executive privilege and subpoenas were never issued for top Nixon aides, Mr. Dash said.

Lawrence E. Walsh, who investigated the Iran-contra affair, similarly chose to secure the cooperation of most officials of Ronald Reagan's Administration, believing that he could get more material more quickly without subpoenas.

In his first press conference on Jan. 21, Mr. Fiske said he had worked out his charter with Attorney General Janet Reno "so that I can do anything I feel I have to do to do this job right." His mandate, as he described it that day, included a close look at Madison Guaranty Savings and Loan, the Arkansas institution owned by James B. McDougal, the Clintons' partner in the land venture, and the circumstances surrounding the suicide last July of Vincent W. Foster Jr., the deputy White House counsel.

Mr. McDougal was a partner with the Clintons in the venture, Whitewater Development Company. Even before Mr. Fiske's appointment, investigators at the Federal agency overseeing the bailout of the savings and loan industry, the Resolution Trust Corporation, had found evidence indicating that Mr. McDougal diverted money from Madison to Mr. Clinton's campaign for governor.

Resolution Trust first asked Federal prosecutors to take a closer look at Madison in the fall of 1992, when Mr. Clinton was a Presidential candidate. The agency can bring only civil cases; investigation of criminal wrongdoing at a federally insured savings and loan like Madison Guaranty falls to the Federal Bureau of Investigation.

Bush Administration officials, leery of what could be seen as a politically tainted inquiry, did not push ahead. In March, after the Clinton Administration took office, the Justice Department told the banking agency that it would not pursue the case.

By the fall of 1993, however, the agency had produced a second Madison-related request, called a "criminal referral." It named the Clintons as possible subjects of an inquiry, but did not accuse them of any wrongdoing. It was at this stage, before the referral was formally sent to the Justice Department, that Mr. Nussbaum met with Jean Hanson, general counsel of the Treasury Department, which oversees the agency.

Mr. Nussbaum and other White House officials attended a second meeting in October with Treasury Department officials in which the Resolution Trust inquiry was discussed. Ultimately, the agency did send its criminal referral to Federal prosecutors, and it was briefly investigated by a team of lawyers from the Justice Department before becoming a central part of Mr. Fiske's inquiry.

What was said, and by whom, at the meetings between White House officials and the Treasury Department is clearly a line of inquiry for Mr. Fiske. It would be improper, and possibly illegal, for anyone at the White House to impede a criminal inquiry.

Inquiry Briefing May Have Violated 2 Rules on Ethics

By EDMUND L. ANDREWS
Special to The New York Times

WASHINGTON, March 5 — The meeting between top Treasury Department officials and White House officials, including the White House counsel, Bernard W. Nussbaum, could have violated two ethical regulations that apply to Federal officials.

But even lacking legal violations, experts in ethics say the meetings appear to clash with the goal of carrying out investigations impartially and without special treatment for people in power.

That principle was called into question a week ago when Deputy Treasury Secretary Roger C. Altman acknowledged that he had briefed Mr. Nussbaum and other top White House aides about the investigation into a failed Arkansas savings and loan. Mr. Altman heads the agency conducting the investigation, the Resolution Trust Corporation.

The regulations that the meetings may have violated are in Section 2635 of Title 5 of the Code of Federal Regulations. One requires that Federal employees work on matters in which the Government has an official interest, and investigators will be studying what the Government interest was in the meetings.

The second requires that officials act with complete impartiality. If, for instance, it is standard practice for regulators not to inform people when cases are referred for criminal inquiry, then it may have been improper for Treasury officials to have briefed officials representing the Clintons.

In 1990 the general counsel for the Federal Deposit Insurance Corporation was rebuked and deprived of a scheduled salary increase because of discussions he had on behalf of Neil Bush, President George Bush's son, concerning a troubled Denver savings and loan.

George Weigel, president of the Ethics and Public Policy Center, a nonprofit group here, said the White House meetings appeared to clash with basic notions of fairness. "It seems to me it's a matter of common moral sense that people who are overseeing the investigation do not brief people who are the subjects of those investigations," Mr. Weigel said.

The Whitewater Inquiry As One Counsel Presses, Another Exits

Nussbaum's New York Tactics Falter in Washington

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, March 5 — When he first became White House counsel, Bernard W. Nussbaum told an interviewer that he viewed his mission as preventing legal problems from becoming political ones.

By that standard there are few, if any, White House officials, who would today contend that his was a successful tenure. Many of the Clinton Administration's worst political setbacks blossomed from law-related issues that Mr. Nussbaum was charged with handling.

That is certainly true in the case of how he has dealt with questions surrounding the the Clintons' investment in an Arkansas real estate venture known as the Whitewater Development Company before Mr. Clinton became President. Whitewater and related issues like an investigation of a failed Arkansas savings and loan association have become the White House's greatest political threat.

Good Litigation Tactics

At various times in responding to questions about Whitewater, Mr. Nussbaum deployed his style as a New York corporate litigator with a vigorous take-no-prisoners defense of the Clintons. In the end, such behavior vastly increased suspicions about what they had done.

He first raised the possibility, for example, that the Clintons might resist turning over Whitewater documents on the grounds of attorney-client privilege. Other White House officials saw this as a perfectly good tactic in the corporate litigation world where Mr. Nussbaum came from, but politically impossible for a public figure like the President. One official said it was akin to telling your client to plead the Fifth Amendment, a permissible approach for a mobster but not someone who needs to retain the nation's trust.

Mr. Nussbaum also argued vehemently against the appointment of a special counsel to investigate the Whitewater matter. The President eventually agreed to the appointment in the face of overwhelming political pressure.

But the most intriguing question of all may be whether Mr. Nussbaum's actions, widely dismissed as politically naïve, were actually at the behest of the Clintons who are scrambling to limit disclosure. Put more simply, has Mr. Nussbaum been made a kind of a fall guy when the public perception that the White House had something to hide became too much for Mr. Clinton to bear politically?

Mrs. Clinton, for example, was said to have been second to none in her resistance to the appointment of a special prosecutor and Mr. Nussbaum could have been simply reflecting her view. Mr. Nussbaum first met Mrs. Clinton when he was a senior lawyer on the House impeachment committee investigating President Richard M. Nixon's involvement in Watergate. She is considered the person who brought him into the White House.

In his resignation letter today, Mr. Nussbaum insisted that he was paying a penalty for being a good lawyer and striving to defend the interests of his client.

Mr. Nussbaum always seemed baffled that his style, which was so successful in the world of New York corporate litigation, often reaped scorn in Washington. Before he became the President's chief lawyer, he helped direct the corporate takeover upheavals of the 1980's.

He thrived in a world where sharp clever legal tactics and sharper elbows are the coin of success. Those who have flourished in Washington at the intersection of law and Government, have usually displayed a more finely tuned ear for political considerations.

When Mr. Nussbaum held meetings with Government lawyers last fall to determine the progress of investigations into a failed savings and loan association, Madison Guaranty, he was perhaps doing what he did in New York: trying to find out as much as he could about the case against his clients, the Clintons. But as White House counsel, it raised profound questions of tampering.

Professor Charles Wolfram of the Cornell Law School, an authority on legal ethics, said that such behavior was honed in the process of discovery in which opposing lawyers try to obtain as much information as they can from the other side while restricting the other side's access to information.

Another example that displays Mr. Nussbaum's style occurred when he told some reporters last December that he had not previously fully explained his decision to transfer some Whitewater files to Mr. Clinton's personal lawyer because no one had asked him that precise question, a classic litigation-bred response.

To be sure, Mr. Nussbaum was involved in a variety of foul-ups before Whitewater became a major political problem. He was, for example, at the center of the White House's inability in its first several months to find an attorney general. In what would be the first major instance in which his colleagues began to suspect he was politically tone-deaf, he had argued that the President should press ahead with the nomination of Zoë Baird, after Senator Joseph R. Biden Jr. of Delaware, the chairman of the Judiciary Committee, said she could not be confirmed because she had hired an illegal alien as a nanny for her son.

After that, he failed to find out that the next choice for the job, Judge Kimba M. Wood, had a similar problem before her name was floated publicly.

Last month, it was disclosed that the United States Park Police who had investigated the apparent suicide last July of Vincent W. Foster Jr., the deputy White House counsel, had accused Mr. Nussbaum in a confidential report of having impeded their inquiries. The report said, for example, that Mr. Nussbaum insisted that lawyers from the White House counsel's office sit in on police interviews with staffers, perhaps intimidating them from being candid.

Repairing the White House Mess

Robert Fiske has stepped into the Whitewater mess with precisely the authority and integrity that the White House, particularly in the person of Bernard Nussbaum, has so conspicuously failed to exhibit over the last few months.

By serving subpoenas on 10 senior White House and Treasury Department officials, Mr. Fiske, the special counsel appointed to look into the Whitewater case, has also served notice that he is expanding his inquiry to include the three extraordinary White House meetings at which the Resolution Trust Corporation's probe of a failed savings and loan association with close ties to the President and Mrs. Clinton was discussed.

The members of the Congressional banking committees, including reluctant Democrats, clearly have an interest in this matter. There are, for example, numerous regulatory issues involving the failed Arkansas savings and loan, Madison Guaranty. Moreover, senior officials at the agencies for which the committees have oversight responsibility have behaved improperly — notably Roger Altman, the Deputy Treasury Secretary, and Jean Hanson, Treasury counsel. They gave private briefings at the White House to keep Mr. Nussbaum, the White House counsel, and others posted on the R.T.C.'s investigation into Madison and the bank's dealings with the Clintons and their friends.

There is certainly a public value in having Congress conduct a carefully targeted examination of the incestuous relationships between the White House and Federal investigatory bodies. Nevertheless, Congress should think twice before launching a parallel investigation of the whole history of Madison and the Whitewater development deal back in Arkansas. Such an inquiry, especially in the current partisan environment, could easily turn into an unending political circus and, even worse, jeopardize Mr. Fiske's independent inquiry and his ability to bring prosecutions, if warranted.

As for President Clinton, he has finally moved to repair the damage by his amateurish White House operation by persuading Mr. Nussbaum to return to private life. Mr. Nussbaum played a prominent part in other White House embarrassments, including the misuse of the F.B.I. in the Travelgate affair, the failure to properly vet various Presidential nominees and the apparent interference with the Park Service's investigation of the suicide of Vincent Foster, the deputy White House counsel. Given those past indiscretions, it was not surprising that Mr. Nussbaum was a central figure at all three of the improper White House meetings on Whitewater. It remains to be learned whether he was acting at Mr. Clinton's request.

There are two immediate lessons here. One is that Mr. Clinton desperately needs to get some good strong people around him to provide the White House with sound management and an ethical compass. The second is that the special prosecutor, Mr. Fiske, may have an even more challenging job than he, or anyone else, originally imagined.

Addiction by Design?

Last week the Food and Drug Administration made an extraordinarily serious charge about the tobacco industry. Simply put, the agency asserted that the reason many cigarette smokers find it close to impossible to break the habit is because the industry *makes* it close to impossible — by deliberately adding nicotine, a potent addicting agent, during the cigarette production process.

This revelation, if it holds up, will come as a shock to the vast majority of Americans who no doubt assumed that whatever nicotine is found in cigarettes is simply the residue of the nicotine that occurs naturally in tobacco. Few consumers had the slightest inkling that nicotine might actually be sprayed on the tobacco as it is processed.

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In a letter to the Coalition on Smoking or Health, Dr. David Kessler, Commissioner of Food and Drugs, cited accumulating evidence "that cigarette manufacturers may intend that their products contain nicotine to satisfy an addiction." He drew that inference from "mounting evidence" that "the nicotine ingredient in cigarettes is a powerfully addictive agent" and that "cigarette vendors control the levels of nicotine that satisfy this addiction." In fact, he said, "it is our understanding that manufacturers commonly add nicotine to cigarettes to deliver specific amounts of nicotine."

According to testimony from the National Institute on Drug Abuse, nicotine is as addictive as heroin, and 5 to 10 times more potent than cocaine or morphine in producing effects on mood and behavior. Some 77 percent of all smokers desire to quit but cannot primarily because of nicotine addiction, according to research cited by the F.D.A.

If the F.D.A.'s assertions prove true, they could have a profound impact on both litigation and regulation. In the courts, for example, smokers filing liability suits against tobacco companies for the health damage they have suffered have generally not been successful. Juries apparently conclude the smokers have had ample warnings of the dangers of cigarettes and have only themselves to blame. But jurors' attitudes might change sharply if they thought manufacturers were deliberately addicting their customers to keep them in thrall to an unhealthy habit.

The F.D.A.'s ability to take regulatory action may depend on whether cigarettes can be legally considered a drug because the nicotine is intended to affect the functioning of the body. Since making cigarettes reportedly involves separating the components of a tobacco plant, pulping them, rolling them into a sheet and *then* spraying on flavor and nicotine, the F.D.A. suggested that this process could be interpreted as controlling the amount of nicotine to insure addiction. In other words, those little white cylinders that companion so many Americans' coffee breaks are nothing more or less than nicotine-delivery systems.

"Should the agency make this finding based on an appropriate record or be able to prove these facts in court," Dr. Kessler continued, "it would have a legal basis to regulate these products." The agency could, for example, take cigarettes off the market, or perhaps force the removal or reduction of nicotine.

But any ban on cigarettes would be so fraught with political, economic and social implications that no mid-level regulatory agency like the F.D.A. could possibly make it stick. So Dr. Kessler lobbed the issue to Congress and asked for "clear direction" on how to proceed.

Representative Henry Waxman is the first to respond: he is planning a hearing for the end of March. Dr. Kessler will be the main witness. Representatives of the tobacco industry, which was quick to assert that nicotine occurs naturally in tobacco leaf and that what is returned by spraying is no more than what was there in the first place, will also speak.

The urgent immediate need is for a searching inquiry into how nicotine is handled during the production process. Is it deliberately added? At levels known to be addictive? Why were those levels chosen? The answers should help Congress and the public determine whether the tobacco industry is simply selling a dangerous product, as has long been known, or is cynically addicting millions of customers in a crime of unconscionable dimensions.

Nussbaum Quits White House Post

By Ruth Marcus and Ann Devroy
Washington Post Staff Writers

White House counsel Bernard Nussbaum officially resigned yesterday with a defiant blast at his critics, saying they misunderstand the role of the president's lawyer.

Nussbaum insisted in his resignation letter that he had always performed his duties as White House counsel "in an absolutely legal and ethical manner." He said he was leaving "as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House Counsel."

The resignation takes effect April [illegible] senior administration officials [illegible] hey hoped to have a replace- within a week for a smooth transition. Most viewed the selection of what one called "an experienced Washington lawyer with impeccable credentials for independence" as a vital step in moving the beleaguered Clinton White House beyond its latest ethical uproar.

In searching for a successor, the White House wants a pillar of the legal community whose very presence on the staff would send a reassuring signal to Congress, the public and the media. Officials described a

See NUSSBAUM, A8, Col. 1

NUSSBAUM, From A1

[illegible]rch for a "Lloyd Cutler type," a [illegible]erence to the experienced Wash-[illegible]ton lawyer who served as Presi-[illegible]nt Jimmy Carter's counsel.

But in looking for such a figure, [illegible] administration is hampered by [illegible] fact that the Democratic Party's [illegible]ars out of the White House mean [illegible]t it is difficult to come up with a [illegible]ndidate with appropriately impres-[illegible]ve credentials, such as government [illegible] judicial service. At the same time, [illegible]linton, as is normal for anyone se-[illegible]cting a lawyer, would like someone [illegible] already knows and trusts.

Among those mentioned yester-[illegible]y were Harry McPherson, a pillar of the city's Democratic legal establishment who served as counsel to President Lyndon B. Johnson; Washington lawyer Charles F.C. Ruff, who was considered for the deputy attorney general post; and Charles Renfrew, deputy attorney general in the Carter Justice Department and a former federal judge.

Nussbaum, 57, who worked with Hillary Rodham Clinton on the House committee considering the impeachment of Richard M. Nixon, had been a friend of both Clintons for two decades and a highly regarded Wall Street lawyer when he was named to the counsel's post.

But during his 15 months in the job, Nussbaum was repeatedly accused of having a "tin ear" for the heightened ethical standards that govern operations inside the White House and for not appreciating how actions are viewed in a political as well as legal light.

Where he viewed himself as aggressively protecting the president, others—many of them in the White House—saw him as failing to understand the ethical problems some of those efforts created.

That was reflected in the exchange of letters between Clinton and Nussbaum that served as the official announcement of the resignation agreed to on Friday. Nussbaum wrote that his "sole objective" as White House counsel "was to serve you as well and as effectively as I could, consistent with the rules of law, standards of ethics, and the highest traditions of the bar."

Clinton, in his letter, praised Nussbaum for his role in selection of federal judges, and in helping choose Attorney General Janet Reno, FBI Director Louis J. Freeh and Supreme Court Justice Ruth Bader Ginsburg. These, he said, would be a Nussbaum legacy that would "make our streets safer and our society more just for years to come."

The president, as is the custom in such letters, made only the most oblique of references to the controversies that plagued Nussbaum. He paid tribute to Nussbaum's spirit at a time in Washington when "serving is hard." He saluted him as having one of the "liveliest spirits" in the White House and noted his "special reverence for duty and friendship."

Nussbaum did not identify those he accused of misunderstanding his job, but many of the president's senior aides believed he was the one who lacked the understanding of how politics and the law intersect in the White House. "He was repeatedly dumbfounded," said one official, "that anyone could think he was doing something wrong" when he believed he was serving Clinton's interest.

At the White House yesterday, members of the counsel's office and other officials streamed through Nussbaum's office, offering their sympathies. Said associate counsel Beth Nolan, "I think the White House counsel's job is one in which you rarely can get public credit for all the good you do and Bernie has done a tremendously good job that he will never receive any public accolades for because of the nature of the job."

"Without getting into specifics, for every blowup, there have been 10 matters which have been handled deftly and properly," said associate counsel William Kennedy.

Asked what Nussbaum meant about criticism by those who failed to understand his role, one official said, "The duty that a lawyer has to represent a client zealously within the bounds of the law applies just as much to a lawyer whose client is the president of the United States as it does to a private lawyer. That obligation is one that hasn't been fully understood or appreciated."

Calls for Nussbaum's departure grew in intensity this week after it was revealed he participated in a series of meetings between White House and Treasury officials that touched on the Resolution Trust Corp. (RTC) investigation into the collapse of the Madison Guaranty Savings & Loan. A special counsel is now investigating Madison and its connection to the Whitewater Development Corp., a land venture in which the Clintons were partners.

On Friday, special counsel Robert B. Fiske Jr. subpoenaed 10 White House and current or former Treasury officials who participated in the discussions, and Nussbaum's forced resignation became a foregone conclusion.

Critics, even some in the White House, said the discussions between September and January were improper because they could be viewed as an early tip-off and opportunity to influence an active investigation by an independent agency, the RTC, in a probe that touched on the Clintons.

A 'Perilous Time' For the President

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

When President Clinton reluctantly agreed to the appointment of a special counsel on Whitewater in January, the most compelling argument was that an independent investigation would shield the president from further political battering and free him to pursue the change he promised the nation.

Less than two months later, Clinton and his White House staff find themselves deeper in a hole than when they started. By even their own accounts, it is a hole they dug themselves.

With the appointment of special

sel Robert B. Fiske Jr., the e House expected the complex of land transactions, legal maneuverings and dense, interconnecting stories known as Whitewater to move off the front pages and into the secrecy of a federal investigation.

The opposite has now occurred.

The Clinton White House has created a new, more easily understood and far more damaging story line: the specter of White House interference with investigations of the Clintons. The forced resignation of White House counsel Bernard Nussbaum and the subpoenas served on six top White House aides make Whitewater a more dramatic story.

See PRESIDENT, A10, Col. 1

PRESIDENT, From A1

" 'Grand jury' and 'subpoenas' are words that are very fraught" with suspicion in the public mind, said one administration official. For a president whose current standing is high but whose reservoir of public trust is not deep, "this is a very perilous time for us," the official said.

Many in the White House agree that the Whitewater damage control operation has ended up causing more damage than it has controlled. According to senior White House officials, outside Democrats and others interviewed yesterday, the route from questions about the Clintons' 1980s investments in an Arkansas land development venture called Whitewater Development Corp. to a special counsel and FBI agents walking the White House halls with subpoenas is littered with official blunders.

The result has been a White House that this week was struggling again to right itself. White House senior adviser David R. Gergen said that Clinton—who left unexpectedly yesterday for Camp David—now is committed to being "very aggressive in ensuring that this White House is open, cooperative and forthcoming" in dealing with the issues.

A flurry of orders to cooperate fully with investigations and protect documents, and the White House search for a new counsel who is supposed to "send a signal by who he is and what he does" are aimed at erasing new suspicions.

But at the same time, aides acknowledge the tidal wave of demoralization that set in at week's end at a White House where bad news never seems to stop. "We will get past this," said one, offering his reassurances that, "the Clintons did nothing wrong, not in Whitewater and not since and that will out."

But, he said, "getting through this after this week means another struggle, another phase of distraction, another level of complications with everyone getting their own lawyers, going to grand juries, unsure what they can talk about and to whom, and all this while we enter a critical legislative stage."

Said another official, "It is heavily distracting. It gives us a tougher time on the Hill. Across the board, we're going to have a hard time until things stabilize."

That the Clinton White House inflicted many of these wounds on itself is hardly disputed, even there. "We made some mistakes in this, yes," said Clinton senior adviser George Stephanopoulos.

But he argued that the White House mistakes were not a result of malign intentions. They were either unintentional or caused by good intentions gone sour in the "hazy" area where efforts to answer congressional inquiries and respond to the news media produced the appearance of interference in the investigations, Stephanopoulos said.

"It was important to respond without interfering or even appearing to interfere," said Stephanopoulos, who like most in the White House has no direct knowledge of the circumstances surrounding the Whitewater investment. "But when you are in the midst of these inquiries, it is very difficult to meet those standards."

The transformation of Whitewater from a hugely complex and nearly incomprehensible real estate transaction in which the Clintons may or may not have lost money into a staple of the nightly news is the fruit in large part of a White House operation whose every move made it appear that there was something to hide.

When questions about Whitewater first arose during the 1992 campaign, the Clintons responded with a report suggesting they had lost $69,000 in the real estate deal and declined to provide much information beyond that.

The questions resumed once Clinton took office, after the Resolution Trust Corp. asked the Justice Department to investigate a savings and loan owned by James McDougal, the Clintons' partner in Whitewater. The Clintons were named in that referral as potential beneficiaries of Madison Guaranty Savings & Loan improprieties, although not accused of any wrongdoing. But the White House strategy of refusing to provide information for the ensuing stories only piqued reporters' interest, rather than making it go away.

The first major flare-up came with the belated disclosure—four months after the fact—that Whitewater documents had been among those in Deputy White House Counsel Vincent Foster's office when he committed suicide last July. Had that been revealed at the time, it might have generated questions about whether it was appropriate for him to be handling personal legal work for the Clintons.

But the apparent effort at deception—reporters were told about the disposition of official files and Foster's personal papers from his office, but not the Clinton personal documents—ended up hurting the White House much more.

Then, when news reports indicated that Justice Department lawyers investigating Madison wanted to

See PRESIDENT, A11, Col. 1

White House Missteps Put Clinton in Deeper Hole

PRESIDENT, From A10

look at those papers, the White House took days to turn them over.

Another costly delay was in resisting the appointment of a special counsel until congressional Democrats joined their Republican colleagues in such a call. Officials acknowledge that it added to the appearance of a White House with something to hide.

And if the counsel eventually was agreed to in the belief it would make Whitewater go away, last week's revelation of the series of meetings—in which White House officials discussed with Treasury officials the Resolution Trust Corp.'s investigation into Madison—made certain that the issue remained on the front pages.

Now, the White House finds itself in what seems like the worst of all possible worlds: an independent counsel who has taken the bold step of summoning much of the senior White House hierarchy before a grand jury. Some legal experts expressed surprise at Fiske's aggressive approach in choosing immediately to employ his subpoena power.

The lawyers noted that Fiske could have chosen the less public and less explosive route of simply interviewing the White House and Treasury officials. Iran-contra independent counsel Lawrence E. Walsh, for example, generally questioned government officials through that less-formal mechanism before deciding whether they should brought before a grand jury.

Some lawyers suggested that Fiske chose the dramatic route to demonstrate that he is aggressively pursuing the investigation.

But others said it was to be expected that he would move quickly to preserve documents, particularly in a case where there have been other allegations that documents have been destroyed.

Outsiders who are familiar with the White House operation suggest its problems go beyond Bernard Nussbaum. The consensus is that the management is still not fully operational; that there is no one with the standing to push the Clintons into steps they resist, such as being more forthcoming on Whitewater, and that the campaign mentality of damage control—where the first imperative is to find out the charge and answer it—remains too much entrenched.

"It's fairly clear that the more you try to cope with this as kind of an inside the White House political problem, the more you just make more trouble for yourself," said one official.

At the White House yesterday, there was a sense of disbelief that it had come to this. "It is crazy, it is insane, it is nuts that this thing should loom large not because of what it was back in Arkansas a decade ago but because of what we here in the White House are doing. We will get through this if we don't screw it up again. No one here and no one we talked to gives a good [expletive] about Whitewater or things that happened all these years ago."

All available public evidence endorses that view. A series of polls in February, after the special counsel was named, suggested that while a growing number of Americans had read or heard something about Whitewater and many believed the Clintons had not been forthcoming on it, it hardly mattered.

A Harris poll early last month found that of those who had heard about Whitewater, most thought the Clintons had done something unethical back in Arkansas. But 83 percent said it had not changed how they felt about President Clinton.

But a Time-CNN poll with similar findings offered Clinton a warning applicable to his handling of long-ago issues now come to the White House: Asked if Clinton is a leader "you can trust" or "do you have some reservations," only 40 percent found him trustworthy, while 56 percent wavered.

THE WASHINGTON POST SUNDAY, MARCH 6, 1994

East German Files Helped In Ames Arrest

By Walter Pincus, R. Jeffrey Smith and Pierre Thomas
Washington Post Staff Writers

Revelations contained in former East German intelligence files prompted the creation of a joint CIA-FBI investigative effort three years ago that went on to uncover alleged spying by CIA official Aldrich H. Ames, according to sources familiar with the probe.

Some counterintelligence officials suspected as early as 1985 that U.S. spy operations had been betrayed, but separate CIA and FBI probes languished for years, riven by bureaucratic haggling and rivalries that did not abate until 1991 when the joint effort was stitched together, the sources said.

The East German files revealed that all the spies the United States was thought to have recruited in the Stasi intelligence service were in fact double agents, the officials said. Shaken by this discovery, the CIA finally agreed to join with the FBI in an aggressive internal probe, suspecting that someone inside the CIA perhaps had helped the Stasi pull off the deception. Investigators drew up a list of roughly 200 people who not only had known the identities of the Stasi agents but also had known of earlier failed operations against the Soviet Union.

Ames fell under suspicion, along with others, because he had dealt with some of the East German

See CIA, A6, Col. 1

CIA, From A1

agents and had known of the operations against the Soviets, having directed counterintelligence efforts in two branches of the Operations Directorate. By May 1993, Ames had become the focus of a criminal investigation dubbed Nightmover by the FBI; he was arrested on Feb. 21 because of concerns he might flee.

Ames's ability to elude detection for years was helped not just by the earlier lack of CIA-FBI coordination but also by lax internal security procedures and a series of lapses by government investigators, according to CIA, FBI and congressional officials briefed on the investigation. These lapses included a failure until recently to monitor Ames's overseas travel, probe his sudden wealth, guard against the theft from CIA headquarters of highly classified documents and detect unauthorized contacts between Ames and Russian officials in Washington or overseas.

The FBI is technically the lead federal agency in domestic counterintelligence efforts aimed at ferreting out spies for other governments, and the CIA is responsible for monitoring its own employees. But before 1991, FBI and congressional officials said, senior CIA managers generally played down the possibility that one of their key employees could be a turncoat and blocked independent scrutiny by the FBI of some failed spy operations.

Sen. Dennis DeConcini (D-Ariz.), chairman of the Select Committee on Intelligence, said in an interview Thursday that he expects CIA Inspector General Frederick P. Hitz to open an independent probe of allegations the CIA hindered inquiries. "I have asked him to zero in on this," DeConcini said. But congressional sources said CIA officials were seeking limits on the scope of Hitz's work that might undermine its viability.

Investigators now say they believe Ames was spying for Moscow by 1985. That year and the next, seven agents who had been recruited by the CIA inside the KGB were arrested by the Soviets or just disappeared, according to former CIA officials.

One of those arrested was Maj. Gen. Dimitri Polyakov, code-named Top Hat, an official of the Soviet GRU military intelligence agency who had passed secrets to his FBI handlers for 20 years. He was tried and shot in 1988, but his fate was not announced by Moscow until 1990. Another U.S. spy arrested in 1985 was Adolf Tolkachev, a military researcher in Russia who was executed in 1986. Among others who vanished were two KGB sources, one posted in Nigeria, the other in Southeast Asia.

The FBI's list of potential victims of Ames's spying also includes Valery Martynov and Sergei Motorin, two U.S. spies recruited by the FBI from the KGB station at the Soviet Embassy in Washington. Both were arrested after returning to Moscow. Motorin in particular was caught one day after meeting with his U.S. handlers in 1986, according to U.S. and other sources. The location of the meeting "was leaked from the CIA by someone who was sitting on [Motorin's] . . . file," according to Yuri Shvets, a former KGB agent now living in the United States.

Initially, U.S. investigators were inclined to attribute the CIA losses to Edward L. Howard, fired by the CIA in 1983 on the eve of being sent to Moscow to handle intelligence sources there. Later exposed as a double agent by a Soviet defector, Howard fled the United States in 1985, eventually turning up in Moscow.

The loss of Tolkachev was linked at the time to Howard, but other U.S. intelligence losses could not be so easily explained by Howard's defection because they included operations that Howard had known nothing about.

FBI officials have said they suspect—but cannot prove—that Ames's alleged spying for Moscow led to the deaths of at least 10 U.S. agents and the disclosure of others who are missing. But only two have been cited so far in court documents: an East European security officer, code-named Motorboat and allegedly disclosed in 1989; and a Soviet counterintelligence official in the North American division of the KGB's Second Chief Directorate, code-named Prologue and allegedly disclosed in 1990.

Shvets, who worked under cover as a Tass correspondent in Washington from 1985 to 1987, said he was not surprised by the arrest of a CIA official. Shvets said he "had strong reasons to believe we had a mole" after returning in 1987 to the KGB's First Chief Directorate outside Moscow, which was responsible for recruiting spies in North America.

Shvets, who left the KGB in 1990 and is writing a book about his experiences, said in an interview that he did not know the mole's name, because it was a highly guarded secret. But he said it was impossible not to notice the extraordinary quality of the information about U.S. spy operations being sent to Moscow during the mid- to late- 1980s.

While all these U.S. operations were being rolled up, CIA counterintelligence officials overlooked various actions by Ames that the government now says offer proof of his work for Moscow, FBI and congressional officials said.

These include unauthorized trips overseas by Ames to Bogota and Caracas; meetings by him with Soviet or Russian intelligence officials in Washington and other cities; cash deposits totaling more than $2 million in U.S. and Swiss bank accounts; conspicuous purchases of valuable items such as a Jaguar, original works of art and an expensive suburban home; and the unauthorized storage of highly classified documents at his home or in his CIA office.

Several officials said these indications of wrongdoing were overlooked because security practices governing CIA employees such as Ames are too lax and supervisors far too trusting of employees they treat like family.

"Is it a band of brothers and sisters?" asked one former official, referring to the Operations Directorate where Ames worked. "Yes. It is a tough business. There is a sense of shared profession—like holding hands as you go over the trench. You have to have trust, or you don't get anything done."

"That doesn't mean you ignore or are not concerned about counterintelligence issues," he added.

Former CIA officials said the agency relied heavily on the two polygraph examinations that Ames passed in 1986 and 1991, though FBI officials now say in retrospect that results of the 1991 test were questionable.

In 1989, the year Ames returned to Washington from a three-year stint in Rome, bought a house and began spending more lavishly than before, a colleague at the CIA reported to superiors the new wealth Ames was displaying. Asked about the source of his extra wealth, Ames told the CIA his wife had inherited some money, according to sources—a claim that investigators did not check for years.

Ames took care to divide the huge cash payments allegedly made by Soviet officers into smaller sums falling just below the $10,000 threshold at which cash transactions must be reported to the federal government. Other Soviet money was allegedly deposited in several Swiss bank accounts, from which Ames transferred large amounts by wire to the United States, a banking procedure so common that it would not invite suspicion.

Ames's unauthorized overseas travel went unnoticed because "he paid for it himself," according to one source familiar with the case, who explained that travel supervision at the CIA largely extends only to business-related trips. "Travel is accountable, but [the rules] can be evaded," a former intelligence official agreed. "If someone takes a day of leave overseas and goes somewhere [else], who's to know?"

Ames's collection of many highly classified documents in his CIA office, including some on topics outside his recent assignment at the agency, has been cited privately by some FBI officials as an indication his alleged espionage may have been assisted by others at the agency. But several high-ranking CIA officials said the practice is actually common and many agency employees routinely see documents shared by their colleagues outside formal procedures.

"When you're transferred, and have the requisite clearances . . . you might say, hey, keep me on the distribution for X," one CIA official explained. The former intelligence official said "it's a breakdown of compartmentation"—the agency's avowed practice of giving access only to those with a "need to know." "But it is not uncommon," he added.

Officials said Ames was able to take hundreds of highly classified documents home from his fourth-floor office—evidently on memory disks that fit into one of his three home computers—without attracting any notice because briefcases and purses are not usually searched when CIA employees enter or leave. "The rules absolutely, positively prohibit people from taking things home," said a senior official. But "we trust people. That's the point of the whole business. . . . [We have] a vetting process . . . to keep from turning this place into Alcatraz."

Because of the complexities of counterintelligence, cases that go wrong take time to sort out, investigators say. The CIA can have difficulty learning whether one of its agents has been arrested until long after the fact because contacts may be infrequent, the signals often are elaborate and factors such as illness may explain why an agent fails to respond.

Further complicating the U.S. investigative effort in the late 1980s were tensions between the FBI and CIA, which were sharing some but not all their information. FBI investigators have complained of being blocked by CIA officials from obtaining all the details of failed CIA operations relevant to their investigation.

"There may have been reluctance" at the CIA to probe the suspicions fully, a former intelligence official acknowledged. The official said he remembered being told in the late 1980s that "something's funny" in U.S. spy operations and that several officers on the CIA's counterintelligence staff had started a probe.

But he added that the agency had "other things to do." A former White House aide said the CIA reassured President George Bush in 1989 that the agency had "buttoned up" the question of a potential internal mole.

The former intelligence official said the tensions between the FBI and CIA leaderships could be explained by what he called different institutional cultures. While the FBI's approach was to find "this guy and put him in jail," the CIA favored "thinking this thing through before you haul somebody off in chains," the official said.

Not long after the 1989 fall of the Berlin Wall, the United States obtained the Stasi files. After some CIA-FBI infighting over which agency would preside over examination of the intelligence trove, a compromise was reached granting both agencies equal access and leading eventually to a joint investigative effort, officials said.

In November 1991, newly confirmed CIA Director Robert M. Gates met over lunch with Attorney General William P. Barr in the director's dining room at CIA headquarters to smooth out the cooperative effort, according to officials with knowledge of the meeting. "There was infighting and jockeying early on," one official recalled, "but things gradually got better. . . . It took time to hammer out all the rules. There were personality conflicts, different cultures."

FBI and CIA officials fully shared files and began using a computer to comb data for patterns. In an effort to whittle down their list of 200 suspects, investigators queried new defectors and counterintelligence sources abroad for information that might expose anyone on the list as a mole.

The list was narrowed to about 20, according to congressional sources briefed on the investigation. Ames finally became the focus as a result either of a tip by a defector or his sudden wealth and lavish spending, sources said. Investigators have refused to say publicly what led them to Ames in the end.

Shvets said Ames's alleged handlers at the embassy—he believes there may have been at least three over the nine-year period in which Ames is accused of spying—blundered by maintaining contact with Ames in Washington after his return from Rome in 1989. One method Ames is alleged to have used to signal the Russians—chalk marks on mailboxes—was among "textbook procedures" for Russian spy communications, Shvets said.

A former U.S. intelligence official also expressed amazement that "they handled him out of here," particularly after the Soviet Union's disintegration ushered in an era of warmer relations between the two countries.

But it was really Ames's carelessness in handling his trash that led investigators to conclude he was using a series of "dead drops," or places to leave and deposit documents and money, and "signal sites" such as mailboxes to communicate with officials at the Russian Embassy, according to court papers.

Ames also was careless in elliptically referring to his Russian contacts in telephone conversations last year with his wife Rosario that were tapped by federal agents. Additionally, he left a trove of allegedly incriminating documents strewn about his house, including a detailed account of financial transactions stored in his home computer, and a steno notepad with "dead-drop instructions" on a bookshelf.

"He was either stupid or arrogant, thumbing his nose at [the CIA and the FBI]," said the former U.S. intelligence official.

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The Washington Post

AN INDEPENDENT NEWSPAPER

Mr. Nussbaum Goes—Not the Mess

NEITHER BERNARD Nussbaum, who resigned yesterday as White House counsel, nor Treasury Deputy Secretary Roger Altman and seven other senior White House and Treasury Department officials will be spending March 10 in their offices engaged in the duties that brought them to town. Mr. Nussbaum and the others will be queued up before a federal grand jury in Washington, compelled by subpoena to testify under oath about the circumstances under which they discussed the status of a federal probe of the Madison Guaranty Savings & Loan, a failed Arkansas institution with ties to the Clintons. That date with the grand jury will be a day of public disgrace for the administration.

But more than humiliation is involved in this case. Since the Madison failure and the abortive Whitewater land venture erupted as issues, White House staff have been nothing but a problem. Their clumsy and sophomoric attempts at political damage control have only added to the impression that there is something not quite right about the Clintons' Arkansas political and business dealings and that the First Family has something to hide. That may turn out not to be true—the president says not—but his staff haven't helped him with his case at all.

They are giving the grand jury much to sort out. We especially have in mind the September get-together between Mr. Nussbaum and Treasury General counsel Jean Hanson. In that meeting, Ms. Hanson reportedly disclosed that the Resolution Trust Corp. was poised to ask the Justice Department to conduct a criminal probe into Madison, and that the Clintons were named as possible beneficiaries of the S&L's illegal activities. The grand jury will undoubtedly want to know whether Mr. Nussbaum or any other White House staff members with knowledge of the coming RTC action shared that information with the Clintons. (If so, Mr. Clinton's criticism of the Treasury-White House meetings will ring a little hollow.) But in either case, with questions like this staring at the president, and with Republicans accusing the administration of trying to manipulate an independent regulatory agency, it's hard to imagine a worse way for staff to protect the boss's interests.

That explains the anger many of the more seasoned figures in the administration have for Mr. Nussbaum. Though the president accepted Mr. Nussbaum's resignation "with deep regret," many of Mr. Nussbaum's senior associates apparently aren't shedding many tears. They see him as having allowed the White House to slip and slide into improprieties that a child of 4 could have figured out. Mr. Nussbaum said he was taking his leave because of the "controversy generated by those who do not understand, or wish to understand, the role and obligations of a lawyer." We offer another possibility. Mr. Nussbaum not only failed to keep his principal client out of trouble; he also generated much of the controversy and troubles himself. Going back to Travelgate, when Mr. Nussbaum saw nothing wrong in having the FBI announce there was evidence of criminal wrongdoing—in violation of bureau policy—to his mishandling of key nominations and the aftermath of Vincent Foster's suicide, to the current White House-Treasury encounters, this has been the case. Whatever he thinks of himself as a lawyer, Mr. Nussbaum was truly miscast as White House counsel.

Bargaining Out North Korea's Bomb

THE BARGAINING over North Korea's nuclear program is back on track. But back on track to what? The dismal fact is that it is still not possible to tell whether, as stalwarts of nonproliferation intend, rogue North Korea is being drawn into a non-nuclear role in a community of nations or whether, as many suspect, it is prolonging negotiations in order to become a nuclear power.

North Korea is no Soviet Union—an adversary that over time the United States successfully drew into a precarious but mutually reassuring sharing of nuclear knowledge and risk. For North Korea is not merely Communist but, by choice, a hermit state that may well regard the prospect of international company less as a benefit than as a dire threat to the stability and survival of the regime.

In other circumstances a regime that acted with North Korea's irresponsibility would have to expect to pay. But none of those touched by Pyongyang's bad faith is eager for a showdown with this paranoid and unpredictable regime. This is why North Korea's interlocutors—the United States, South Korea, the International Atomic Energy Agency—have felt it necessary to make what the State Department describes not as "concessions"—though they are that—but as "prudent steps" to keep the hope of a non-nuclear North Korea alive.

North Korea has stretched out and is still restricting inspections of the sort the IAEA has just resumed—even though it undertook to permit full inspections in signing the Nuclear Nonproliferation Treaty. It has won assurances of talks with the American and South Korean governments, and suspension of this year's military exercises of the United States and South Korea, although American negotiators insist these boons won't actually be delivered unless the North meets IAEA inspection demands.

In Washington there is much dissatisfaction with this course, in and out of the administration. The idea of a bomb in the hands of North Korea is insupportable all around. But even critics who think the administration is not tough enough with North Korea accept the main American strategy of first trying to block any further development of its nuclear capacity and only then going back to reverse whatever progress it may already have secretly attained. Firmness and consistency are required in this uncertain but urgent quest.

Joann Byrd ✓

Whitewater: The Sequel

Two Sundays ago, I concluded here that The Post has done more on the Whitewater story than I was giving the paper credit for doing. But in the middle, I grumbled that The Post had been beaten on, and then buried, two important stories.

Think of this as the sequel.

The journalists on this story have explanations that reveal, I confess, the cautious thinking I usually preach. It strikes me as both fair and enlightening for readers to hear their perspectives.

(The two stories I was so fond of were a Washington Times report on allegations that the Rose Law Firm shredded Whitewater documents and a New York Post report that three Fairfax County paramedics said the scene didn't convince them Vince Foster committed suicide.)

Ombudsman

Marilyn Thompson, deputy national editor directing the Whitewater team, makes the best argument when she challenges "the assumption that the newspaper has to follow a story unearthed by a competitor even when our own reporting cannot substantiate it."

Post reporter Susan Schmidt was in Little Rock when the shredding story broke. "We expended considerable energy trying to check into that, and we're not convinced it actually happened," Ms. Schmidt says.

Ms. Thompson thinks "everyone should have been on" the paramedics' story after Mr. Foster's death. But after the New York Post report, she said, "they had been silenced."

On the Post's coverage of Mr. Foster's death, she added, "We have felt we had to exercise a standard of care. . . . I still think it's a leap to say his death was related to Madison; there are some interesting facts, but the picture is not complete."

Independent reporting also is the philosophy of Leonard Downie Jr., The Post's executive editor: "Everybody is reporting this story now; stories will appear which are entirely untrue, or partially untrue. We have to satisfy ourselves that the story meets our standards. We will be silent until we know what the score is. It looks petulant to say, 'There's nothing to the story in the other paper this morning.' "

Mr. Downie means standards for what is reported and for where it runs in the paper. "We have a long-standing relationship with our readers that we use the front page to tell them what we think is important. It's different for papers that want to send a message," and for papers whose readers do not expect serious reporting on so many subjects, he says.

Ms. Thompson points out that "in a major investigation, there is a curve. You start with the initial breaking story," publish several stories quickly thereafter, and "when the national media get on it, there is intense competitive pressure, with everybody on board and new details all the time. The reporting strategy has to change.

"We are in the highly competitive phase; there are some stories we are going to pass on, some stories we break, some stories we never get to."

The Whitewater team, she says, has pursued "reporting in the Post tradition, through meticulous record searches. Where possible, we rely on documents rather than unnamed sources."

Reporter Howard Schneider reiterates that the team has "decided not to slice off individual facts without the context." Adds reporter Charles Babcock, "We are always asking, 'Is it too incremental [to deserve a separate story]?' "

Whitewater had disappeared from the news until Oct. 31 when Ms. Schmidt reported the Resolution Trust Corp.'s probe of Madison Guaranty S&L and its criminal referral to the Justice Department. The Post followed in the next weeks with major investigative reports and has produced 30-plus enterprise stories since.

Says Mr. Schneider, "Whitewater became a story in great part because we were reporting it. We had the fundamental facts in the paper way ahead of anyone else. By the time others caught up, they caught up en masse. We thought there was no need to regurgitate what we had already reported. We were 'behind' by virtue of being ahead."

We won't know for some time which newspaper has the most reliable sources and judgment on this story. But the principle I missed the first time around is that no newspaper that wants to deserve the public trust should lead its readers to believe something its own reporting doesn't support.

The Washington Times SUNDAY, MARCH 6, 1994

RESIGN

From page A1

idential retreat.

Yet the impact of Mr. Nussbaum's resignation echoed throughout the hushed halls of the White House and prompted the president to cancel a golf trip that had been scheduled for yesterday.

Mr. Nussbaum's letter to Mr. Clinton was three paragraphs long.

In it, he told Mr. Clinton that "it has been a great honor and privilege to serve you as counsel to the ...sident."

...e listed his accomplishments ...g his 14-month tenure, say... he was "proud of the many contributions my office has made to the wide array of policy initatives of your administration."

But he also bitterly defended his role in the Whitewater-Madison scandal and argued that he had never breached ethics rules. "At all times I have conducted the office of the White House counsel and performed the duties of counsel to the president in an absolutely legal and ethical manner," Mr. Nussbaum wrote.

"Unfortunately, as a result of the controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House counsel, I now believe I can best serve you by returning to private life," he wrote.

The White House has started a search for a replacement, but Mr. Clinton apparently has not yet de...d if he will hire from within ... White House or look else...e.

...n administration official said Mr. Nussbaum felt he hadn't done anything wrong in meeting three times with officials of the Treasury Department and the Resolution Trust Corp. (RTC) on the RTC's investigation of Madison Guaranty Savings and Loan Association.

Madison — which was owned by James B. McDougal, a former business partner of the Clintons — was shut down by federal authorities in 1989 at a cost of $50 million.

Special Counsel Robert B. Fiske Jr. is investigating Madison's failure and if investors in the Whitewater Development Corp. — a land deal co-owned by Mr. McDougal, his wife, Susan, and the Clintons — benefited from questionable Madison transactions.

Friday night, Mr. Fiske had the FBI serve Mr. Nussbaum and five other senior White House officials ...n subpoenas ordering them to ...fy before a federal grand jury ...Thursday and produce all documentation related to their meetings with Treasury and RTC officials.

> ***"I have conducted the office of the White House counsel and performed the duties of counsel to the president in an absolutely legal and ethical manner."***
>
> *— Bernard Nussbaum*

Other White House aides subpoenaed: senior presidential adviser Bruce Lindsey; Communications Director Mark Gearan; Deputy Chief of Staff Harold Ickes; Lisa Caputo, first lady Hillary Rodham Clinton's press secretary; and Margaret A. Williams, Mrs. Clinton's chief of staff.

Deputy Treasury Secretary Roger C. Altman, acting RTC head; Jean Hanson, Treasury general counsel; and Joshua Steiner, Treasury chief of staff, also received subpoenas.

The subpoenas seek information and all documents on three meetings — one in September, another in October and one last month — among the White House and Treasury officials in which the RTC's Madison investigation was discussed.

The subpoenas brought Mr. Fiske's investigation into the White House for the first time.

A White House official speaking on the condition of anonymity said the inquiry so far had only delved into actions by Mr. Clinton while he was governor of Arkansas. But with the issuance of the subpoenas, the official said, "this has implications for us."

The official said no other resignations are expected and rebuffed GOP calls for Mr. Altman to be fired.

And the White House has announced that the subpoenaed officials must seek their own legal representation.

At the White House, garbage began to build up because of an order not to empty garbage, shred or burn documents until they can be reviewed. One staffer had a special yellow folder tagged "RTC Meeting."

The White House has said information revealed at the meetings — such as the Clintons' link to the probe — was never discussed with the president or first lady.

However, Republican critics charge the Clintons were tipped off in the meetings and may have taken measures to cover up their involvement in Whitewater-Madison.

White House officials have said the meetings were held simply to discuss how to answer press questions about Whitewater-Madison. Initially, White House spokeswoman Dee Dee Myers said nothing improper occurred in the meetings, but Mr. Clinton later said they should not have happened.

Treasury Secretary Lloyd Bentsen also ordered an ethics investigation into the meeting.

Mr. Clinton ordered Chief of Staff Thomas F. "Mack" McLarty to issue new rules barring contact between White House officials and Whitewater-Madison investigators. The existing rules were written by Mr. Nussbaum.

Mr. Nussbaum has long been under fire because of his involvement in nearly all the Clinton White House's domestic blunders.

But his involvement in the Whitewater-Madison probe and his apparent stonewalling of a U.S. Park Police investigation in the death of his former deputy, Vincent W. Foster Jr., sparked new calls for his resignation.

"Mr. Nussbaum has reigned over some of the darkest days of this administration. Hopefully, President Clinton can now move on to address the concerns of the American people," said Rep. William F. Clinger, Pennsylvania Republican.

He was called "Dr. No" on Capitol Hill for stonewalling GOP efforts to investigate White House affairs.

Mr. Clinton's aides said they hope the resignation and expanding Whitewater-Madison investigation would not interfere with White House affairs.

Mr. Clinton sounded a positive note in the Nussbaum affair, saying in his letter accepting Mr Nussbaum's resignation: "You gave this administration one of its liveliest spirits and keenest mind along with your special reverence for duty and friendship. For the contributions I will be forever grateful; for your accomplishments, I hope you will be forever proud."

> ***"Mr. Nussbaum has reigned over some of the darkest days of this administration. Hopefully, President Clinton can now move on to address the concerns of the American people."***
>
> *— Rep. William F. Clinger, Pennsylvania Republican*

CONTROVERSIAL COUNSEL

White House Counsel Bernard W. Nussbaum, who resigned yesterday, was responsible for a series of ethical and political missteps that embarrassed President Clinton.

Whitewater-Madison:

Attended several Treasury Department briefings for White House aides on the status of a probe into a failed savings and loan institution with Clinton ties.

Consequence: Those involved have been subpoenaed to testify before a grand jury.

Travelgate:

The White House asked the FBI to institute a criminal probe of fired travel office workers. Nussbaum attended a White House-FBI meeting to draft the press release.

Consequence: It appeared that the White House was using the FBI for its own political purposes. Five of the seven workers were cleared; two cases remain open.

Secret health care meetings:

Fought a legal battle through the Justice Department to keep health care task force meetings secret.

Consequence: The White House has lost several rounds in court, but is appealing.

Justice Department nominations:

Failed to closely question a leading candidate for attorney general, Judge Kimba Wood, about her domestic help, or to warn the president that civil rights nominee Lani Guinier's writings were controversial.

Consequence: President Clinton was embarrassed when it became known that Judge Wood had hired an illegal immigrant as a nanny. The Guinier nomination was withdrawn in the face of strong Senate opposition.

Inquiry into the death of Vince W. Foster Jr.:

Refused to let Park Police independently question White House aides, and allowed the removal of key documents from the deputy counsel's office.

Consequence: The Foster case, which the Park Police declared a suicide, has been reopened by the Whitewater-Madison special counsel.

The Washington Times

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The Washington Times SUNDAY, MARCH 6, 1994

Fiske turns up the heat; Nussbaum bows out

'Dr. No' officially resigns in letter to President Clinton

By Paul Bedard A1
THE WASHINGTON TIMES

The expanding inquiry into President Clinton's Whitewater-Madison scandal yesterday claimed its first victim when White House Counsel Bernard W. Nussbaum quit just 17 hours after he and eight other administration officials were subpoenaed by a federal grand jury looking into the affair.

Mr. Nussbaum's resignation, effective April 5, came after administration officials for two days had pressured the former Wall Street lawyer to quit in the aftermath of his secret meetings with Treasury Department officials regarding the federal investigation of a failed Arkansas thrift linked to Mr. Clinton.

Mr. Nussbaum was defiant to the end, and it was not certain until his private Oval Office meeting with Mr. Clinton after the president's 10 a.m. radio address yesterday that the embattled presidential lawyer would quit.

"It wasn't a fait accompli until the letters [of resignation and acceptance] were exchanged," said a senior administration official. But "it was inevitable for a thousand reasons."

Mr. Clinton accepted the resignation "with deep regret" but appeared upbeat. He was even clapping his hands as he boarded the Marine One helicopter for a previously unplanned weekend family visit to the Camp David pres-

see **RESIGN,** *page A14*

FISKE

From page A1

scored what authorities described as the seriousness of the Whitewater-Madison investigation, regarded until now by the White House as a bothersome diversion.

The White House's sharpest congressional critic in the Whitewater-Madison case, Rep. Jim Leach, Iowa Republican, said yesterday the subpoenas shift the focus of the Fiske investigation "from possible illegal acts committed by a president prior to taking office to possible illegal actions by a president in office. Obstruction of justice is now clearly the issue."

Mr. Leach is expected during House Banking Committee hearings later this month to zero in on the White House's dealings with independent regulatory agenices now looking into the Clintons' involvement with the failed Madison Guaranty Savings and Loan Association and its owner, James B. McDougal.

All nine administration officials — including White House Counsel Bernard W. Nussbaum, who resigned yesterday over his handling of the Whitewater-Madison affair — are scheduled to appear Thursday before a federal grand jury in Washington.

The others subpoenaed are: Mark Gearan, White House communications director; Bruce Lindsey, senior adviser; Harold Ickes, deputy chief of staff; Lisa Caputo, press secretary to Mrs. Clinton; Margaret A. Williams, Mrs. Clinton's chief of staff; Roger C. Altman, deputy Treasury secretary; Jean Hanson, Treasury's general counsel; and Joshua Steiner, Treasury's chief of staff.

They either gave or attended briefings concerning the status of the investigations by the Resolution Trust Corp. — of which Mr. Altman is acting head — into possible criminal wrongdoing in the failure of Madison, owned by Mr. McDougal, a longtime Clinton business partner.

"With this investigation being as public as it is, and with what has already been done, everyone is on notice not to dispose of anything," Mr. Fiske said yesterday of his subpoenas.

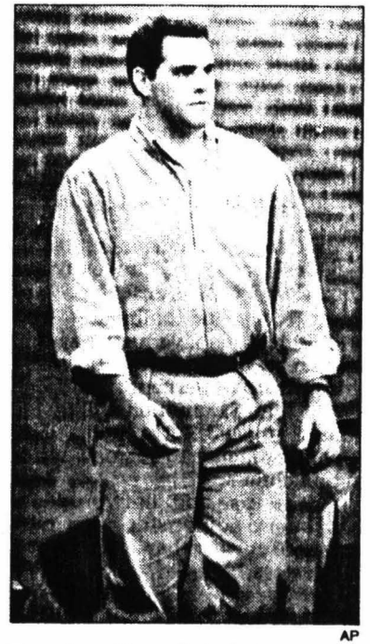
Mr. Fiske said the nine officials would appear before a grand jury in Washington, although their testimony could be used by a special grand jury being empaneled in Little Rock to hear the Whitewater-Madison case.

"The witnesses called so far have gone before one of the grand juries already sitting there [in Washington]," he said. "This is being handled by the people in the Washington office because it happened there."

The White House subpoenas also require staff officials to produce documents concerning any conversations between administration aides, the Treasury Department and the RTC in the Whitewater-Madison affair.

Mr. Fiske, a former U.S. attorney in New York whose dogged determination impressed both the Republican and Democratic administrations for whom he worked, has not been timid in the Whitewater-Madison inquiry, which he took over as special counsel on Jan. 20.

He immediately hired a staff many federal authorities consider "top notch." It includes six former federal and state prosecutors, assisted by a task force of 25 FBI agents and financial analysts. The probe is being conducted out of offices in Little Rock and Washington, and at least two more lawyers are expected to be named in the next few weeks.



AP

Rose Law Firm clerk Jeremy Hedges has spoken to a federal grand jury about documents that reportedly were shredded.

Key among the appointments are:

- Roderick C. Lankler, former assistant district attorney in New York who will head the inquiry into the July 20 death of White House deputy counsel Vincent W. Foster Jr.
- Russell "Rusty" Hardin Jr., a former assistant district attorney in Houston who will be the lead prosecutor in the pending March 28 trial of a former municipal judge who has accused Mr. Clinton of pressuring him for a fraudulent Small Business Administration-guaranteed government loan.

Concerned about the slow pace of a sitting federal grand jury in Little Rock, Mr. Fiske sought — and won — appointment of a special grand jury to hear the Whitewater-Madison case. He told U.S. District Judge Stephen M. Reasoner the new jury was necessary "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

Mr. Fiske also took over the prosecution of former Little Rock Municipal Court Judge David L. Hale, president of Capital-Management Services Inc., who accused Mr. Clinton and Mr. McDougal of fraud in a $300,000 SBA-backed loan to Mr. McDougal's then wife, Susan. Mr. Hale had been indicted in September on unrelated SBA fraud charges.

The special counsel orchestrated a new investigation into the Hale matter, interviewing witnesses and obtaining documents the U.S. Attorney's Office in Little Rock had missed. On Feb. 17, he filed a superseding indictment in the case, adding new charges.

In the Hale case, Mr. Fiske personally argued against a continuance motion sought by Mr. Hale's attorney, although he will not handle the prosecution. He refused to place any importance on his appearance in the case, but said during a break in hearings last week, "I guess you noticed I was here for the entire hearing."

Mr. Fiske's office has issued dozens of subpoenas in the investigation and has interviewed several potential witnesses.

One subpoena went to Little Rock's Rose Law Firm, where Mrs. Clinton was a senior partner. It came Feb. 10, the day after The Washington Times reported that documents related to the Clintons' involvement in Whitewater Development Corp., a failed northern Arkansas real estate venture, had been shredded.

Within a day, FBI agents were sent by Mr. Fiske to interview Rose employees, and within a week, at least one of them had been subpoenaed to testify before the grand jury.

Another subpoena went almost immediately to the Arkansas Bank Department, seeking records, regulatory examinations and other documents relating to $283,000 in personal loans to Mr. and Mrs. Clinton from four rural Arkansas banks. The loans were used by the Clintons to purchase the Whitewater property, to finance Mr. Clinton's 1984 gubernatorial race, to build a model home on a Whitewater plot owned by Mrs. Clinton, and to help pay the balance on a personal loan by Mrs. Clinton.

Part of the Fiske probe involves a new look into the Foster death, an inquiry being headed in Washington by Mr. Lankler. He spent eight of his 13 years as an assistant district attorney as the lead homicide prosecutor under New York District Attorney Frank Hogan.

Under Mr. Fiske's direction, Mr. Lankler and FBI agents interviewed a Fairfax County paramedic last week who responded to Fort Marcy Park last July and saw Mr. Foster's body. Other interviews, including one involving another paramedic at the scene, are pending.

Paramedic George Gonzalez has said there were many inconsistencies at the scene, including a lack of blood one would have expected in a gunshot suicide. Mr. Foster was found laying on a gentle incline, gun in hand, with only a thin trickle of blood from his mouth, according to U.S. Park Police reports reviewed by The Times.

Mr. Fiske yesterday confirmed that witnesses in the Foster case had been interviewed. "I don't think we have any trouble confirming that we have begun interviewing witnesses," he said. "I wouldn't say specifically which witnesses we have interviewed, but the process has begun."

The special counsel also has said he will hire "forensic experts and pathologists" to make an independent analysis of evidence that led Park Police to call Foster's death a suicide.

Park Police files show investigators felt Mr. Nussbaum repeatedly stopped officers from making a thorough search of Mr. Foster's White House office.

Mr. Nussbaum even claimed a newspaper article that had already been published was privileged information, an officer wrote in a report describing the scene after law enforcement agents arrived at Mr. Foster's office July 22.

"At no time during the one hour and thirty five minutes we were in Foster's office were we allowed to handle any document," an officer wrote in the file.

- *Michael Hedges contributed to this report.*

The Washington Times SUNDAY, MARCH 6, 1994

White House reels over prosecutor's zeal, subpoenas

By Jerry Seper
THE WASHINGTON TIMES

Special counsel Robert B. Fiske Jr. — angry over back-room meetings between federal regulators and senior administration aides — has served notice on the White House that his Whitewater-Madison investigation will not be compromised, law enforcement authorities said yesterday.

Mr. Fiske stunned the White House Friday with subpoenas of nine top administration officials seeking information and documents about meetings they had over ongoing inquiries into alleged financial irregularities involving a failed Arkansas savings and loan with ties to both President Clinton and Hillary Rodham Clinton.

The subpoenas, delivered by FBI agents, are part of what authorities said is a continuing effort by Mr. Fiske to aggressively take charge of the Whitewater-Madison investigation, to eliminate outside interference and to assure the public that the job is being done. That is the mandate given him by Attorney General Janet Reno.

"It's apparent Mr. Fiske wanted to get the White House's attention in this matter, and to tell the public his inquiry is real, it is under way and it is completely independent," said one law enforcement official familiar with the Whitewater-Madison probe. "I think he's done that."

The subpoenas also under-

see **FISKE**, *page A14*

TONY SNOW

Whitewatergate ripple effect

The White House looks like a political Sarajevo after recent shelling from the national press. When people talk about Whitewatergate these days, they no longer ask, "Who cares?" They whisper: "Cover up."

Here are a few reasons why:

Treasury Department officials held two special briefings last fall for top White House aides, including White House Legal Counsel Bernard Nussbaum. The topic: Ongoing investigations into a variety of financial-political transactions involving the Clintons. Treasury snoops evidently warned the White House that the first family would be mentioned in upcoming indictments about Whitewatergate. Such contacts violated standards of conduct governing administration officials.

Similar problems bedeviled a confab called last month by Deputy Treasury Secretary Roger Altman. Mr. Altman has served for mo[illegible] a year as the "interim" hea[illegible] Resolution Trust Corp., whic[illegible]s failed thrifts and prosecutes bounders who have ripped off the American taxpayer. In his RTC role, he had a chat in the White House with Mr. Nussbaum, health-care point-man Harold Ickes, and Margaret Williams, chief of staff for the first lady.

The four say they discussed whether the statute of limitations applied to Whitewater-era civil crimes in Arkansas. But that explanation seems fishy. Congress had just voted to extend the statute on savings-and-loan misdeeds, and everybody in the room knew it. Furthermore, Messrs. Ickes and Williams have no official involvement in financial-industry issues. They owe their jobs to Mrs. Clinton, whose only direct concern with the RTC arises from the fact that the agency has been asking questions about thrifts run by Clinton-family friends.

[On Friday, it was announced that M[illegible]ussbaum would resign from[illegible]st effective Saturday; all s[illegible]mbers of the White Hou[illegible]nsel's office were served with subpoenas by the FBI.]

The West Wing colloquy bears an eerie resemblance to get-togethers that toppled former House Speaker Jim Wright and later earned Charles Keating a stay in a federal pen. Mr. Wright got in the soup because he threatened to cut funding for federal regulators unless they stopped pounding the owner of a Texas thrift. The Keating Five tried to persuade the same officials to go easy on the Lincoln Savings and Loan.

The crucial difference between the Keating Five and the Clinton Four is that federal regulators didn't get dragged unwillingly into a discussion with powerful pols this time around. The "independent" auditors arranged the sit-down!

The crucial difference between the Keating Five and the Clinton Four is that federal regulators didn't get dragged unwillingly into a discussion with powerful pols this time around. The "independent" auditors actually arranged the get-together!

So a pattern emerges: Cover up, deny, destroy the evidence.

The New York Times disclosed late last week that the Rose Law Firm, former employer of Hillary Rodham Clinton and other senior administration lawyers, began shredding files belonging to the first lady as far back as 1991. In the last year, its slicing machines have annihilated lots of documents belonging to Mrs. Clinton, Associate White House Counsel William Kennedy III and Associate Attorney General Webster Hubbell.

The Times also says a courier for the Rose Law Firm recently received and shredded a box of files that had come from the office of the late Vincent Foster. Washington insiders have wondered for months about the missing Foster files. Now they know: The papers have become confetti.

It also appears that some of the president's attempts to "reinvent government" could help cover the first family's tracks. When the administration fired all the U.S. Attorneys last year, it handed the Little Rock job to Clinton family friend Paula Casey. She quickly ruled that the Justice Department had no interest in a former Arkansas judge's claim that then-Gov. Clinton conspired to divert Small Business Administration loans into a development company in which Mr. Clinton held a 50 percent share.

Similarly, the administration wants to place the investigative and ethical arms of the Justice Department under political control. This "reform" would make it virtually impossible to organize an objective review of scandals involving the White House Travel Office, the aftermath of Vincent Foster's death, and the tangled strands of Whitewatergate.

The recent Whitewater shell bursts have sent some top politicos scurrying for cover. Treasury Secretary Lloyd Bentsen sprinted from the scene of the crime last week by declaring that he did not know about the meetings between his staff and the White House. The president meanwhile conceded that the talks should not have taken place, and vowed that he knew nothing about the sensitive conclaves, including the one attended by his wife's chief of staff.

Last week's revelations leave Democratic leaders with little choice but to empanel Watergate-style select committees to dredge through the sordid sludge of Whitewatergate and find the truth.

From the first days of this administration, Clinton worthies have acted as if old standards and traditions shouldn't apply to them because they possess good character and a noble cause. But they now seem ready to learn the oldest lesson in presidential politics: The rules apply to everybody.

Tony Snow is a Washington-based editorial page columnist for the Detroit News and is nationally syndicated.

The Washington Times SUNDAY, MARCH 6, 1994

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Clinton's Counsel Resigns

Blamed for allowing staff briefings on Whitewater probe

By Susan Page
WASHINGTON BUREAU

Washington — White House Counsel Bernard Nussbaum resigned yesterday in the wake of an escalating controversy over White House contacts with federal regulators investigating the Whitewater affair.

But the departure of the president's lawyer — blamed for failing to recognize the appearance of impropriety in attending a series of meetings with Treasury officials over the real-estate development investigation — wasn't likely to quell a firestorm that once again has left the White House embattled and defensive.

"Nussbaum is just a scapegoat," Sen. Alfonse D'Amato (R-N.Y.), one of Clinton's most relentless critics, said. "He works for the president, and the president is responsible for his staff." D'Amato said Nussbaum was being used "by the president and first lady who continue to stonewall the investigation into their Whitewater dealings."

Six senior White House staff members including Nussbaum also began making preparations to testify Thursday before a federal grand jury investigating Whitewater. Subpoenas ordering their testimony and demanding White House records were delivered Friday night.

The developments cast a pall over the White House, and many of the president's top aides, who thought Clinton's acquiescence in the appointment of Robert Fiske Jr. as special counsel to investigate Whitewater would put the controversy behind them — at least until Fiske leaked his report in a year or more.



AP Photo

Nussbaum yesterday

Instead, after announcing Nussbaum's resignation, Clinton canceled an afternoon golf game, pointedly ignored reporters shouting questions and flew by Marine One helicopter with his wife and daughter for a race weekend at Camp David, the presidential retreat in Maryland's Catoctin Mountains.

At the White House, aides who had hoped to be focusing on the administration's legislative agenda instead found themselves hiring lawyers to represent them.

"Whether Bernie's resignation will fix things, to use your words, I can't know," one senior official said, speak-

Please see NUSSBAUM on Page 3

LONG ISLAND NEWSDAY 3/6/94

Clinton's Lawyer Resigns

NUSSBAUM from Page 3

ing on condition of anonymity. "We'll just have to wait and see." But he and other officials said they expected the White House staff eventually to be cleared of any wrongdoing, denying that the meetings with officials from the Resolution Trust Corp. represented any improper use of influence.

However, disclosure of the meetings — and the subpoenas that followed — means that the Whitewater controversy now has touched a widening circle of associates around the president.

"The public, the press in particular, is focused on all the problems of Whitewater, and it's growing," Sen. Dan Coats (R-Ind.) said on CNN's "Newsmaker Saturday." "It used to be a drip. Now it's raining at the White House."

Those subpoenaed were White House Deputy Chief of Staff Harold Ickes, White House Communications Director Mark Gearan, senior adviser Bruce Lindsey, Nussbaum and two members of first lady Hillary Rodham Clinton's staff, Chief of Staff Margaret Williams and Press Secretary Lisa Caputo.

Deputy Treasury Secretary Roger Altman and three of his current or former senior aides also were subpoenaed. The special counsel is examining three meetings White House and Treasury officials attended to discuss the status of an investigation of Madison Guaranty Savings & Loan and its connections with Whitewater Development Corp., a real estate venture in which the Clintons were partners.

Nussbaum, once white, ended his White House career with a shot at his critics.

"At all times I have conducted the Office of the White House Counsel and performed the duties of Counsel to the President in an absolutely legal and ethical manner," he wrote in a letter to Clinton. "Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House Counsel."

"I now believe I can best serve you by returning to private life."

Clinton accepted the resignation with a letter expressing "deep regret" and saying, "We have worked together in Washington at a time when serving is hard." He noted in particular Nussbaum's role in naming a record percentage of women and minorities to federal judgeships.

But it was Nussbaum's role in other less successful nominations — including those of Zoe Baird for attorney general and Lani Guinier for assistant attorney general for civil rights — that brought him a reputation for lacking political savvy. He also was criticized for his role in the firing of the White House travel office and for his handling of Whitewater papers after the suicide of his deputy, Vincent Foster.

On Whitewater, some officials said he should have advised other members of the staff to avoid meetings that would leave the appearance of impropriety. While one White House staffer said "it was Bernie's decision" to leave, others indicated that the president had become disenchanted by Nussbaum's failure to contain the controversy.

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3/7/94

CAN 'MACK THE NICE' CUT IT IN THE CAPITAL?

The Chief of Staff is good at wooing outsiders, but has yet to impose managerial order

It's early one February morning, and two men sitting in the White House mess are engaged in animated conversation. Oilman Boone Pickens, chairman of Mesa Inc., munches his bran muffin and gets right to the point: He fears that the White House, in its zeal for a cleaner environment, will lavish all its attention on promoting electric cars. Couldn't cars fueled by natural gas get an equal push?

White House Chief of Staff Thomas F. "Mack" McLarty III picks at his fruit plate and promises to give the idea some thought. It barely matters to the ex-chairman of Arkla Inc., a giant gas distributor, that Pickens is a Republican. McLarty likes nothing better than lending an ear to a corporate chieftain unaccustomed to dealing with a Democratic Administration. "No big deal," he later shrugs. "Boone likes gas. I like gas. This Administration likes gas." That satisfies Pickens: "Mack is a straight-up guy."

Thanks to McLarty, you can hardly visit the White House these days without tripping over a CEO. And no doubt about it, Corporate America loves the open-door policy. "I have no idea what McLarty does with the information I give him, but he's always willing to listen," says American Telephone & Telegraph Co. Chairman Robert E. Allen. Compared with previous staff chiefs, "Mack is very open," notes Wayne Valis, executive director of the Trade Association Liaison Council. "I was once at a meeting where John Sununu screamed at business leaders and told one he'd cut his [expletive deleted] off with a chain saw." And that, grins Valis, was Sununu on his best behavior.

"IMPOSSIBLE JOB." No one would accuse McLarty of being domineering. Unlike Sununu, who knocked heads for George Bush, McLarty is well-liked. What he isn't—not yet, at least—is feared or considered a star political strategist.

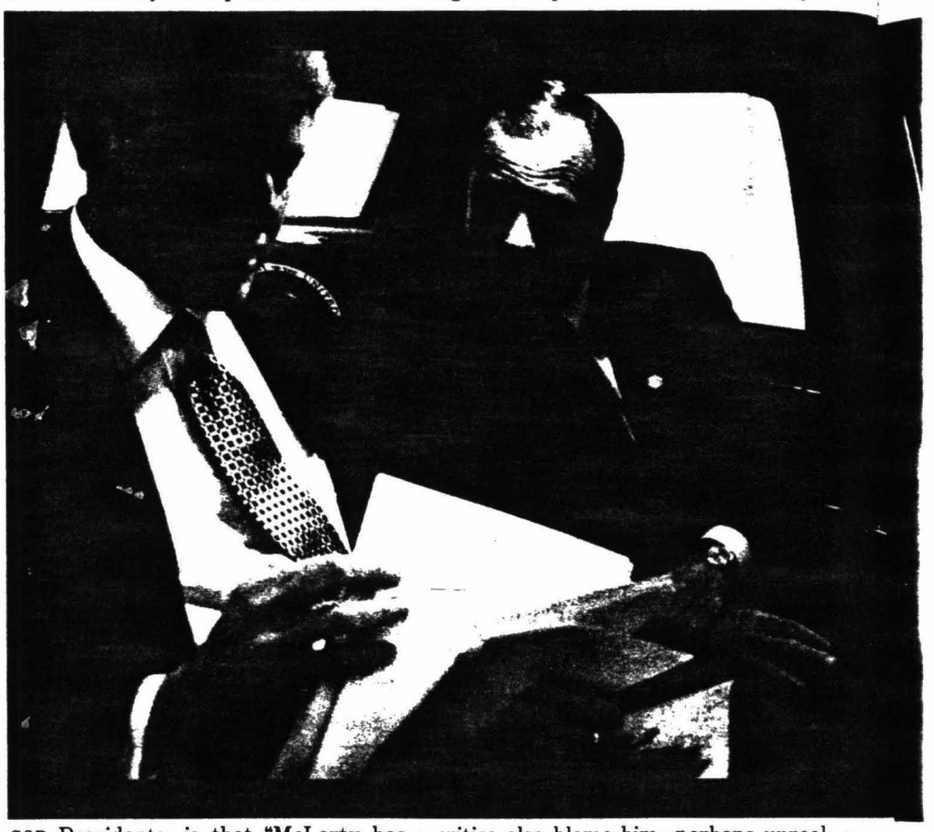
The Chief of Staff's job is never easy. But McLarty's soft-shoe style and Clinton's desire to be at the center of decisions have made it that much tougher. So has another Clinton invention: the casting of Hillary Rodham Clinton and Vice-President Al Gore in policy roles. Sighs one White House adviser: "Bill Clinton doesn't want a real chief of staff. Mack has the impossible job of trying to establish a structure for someone who has absolutely no sense of discipline." The result, says a top aide to several GOP Presidents, is that "McLarty has become a ceremonial chief of staff."

"Mack is not into power," counters White House Counselor David R. Gergen. "He's convinced that his most important responsibility is finding good people to put in charge of things, not making decisions himself." Adds Gore: "The President trusts Mack totally. He's an extraordinarily capable manager."

Unlike most staff chiefs, "McLarty is not really a political operator," asserts Bert Rockman of the University of Pittsburgh. "The closest resemblance is to [Bush lieutenant Samuel K.] Skinner, who turned out to be a total dud."

That view seems a bit harsh. It doesn't give McLarty credit for inheriting an inexperienced team. McLarty's critics also blame him—perhaps unrealistically—for not doing more to change the President's Clintocentric management style. To please Clinton, "he's become more of a personal counselor than a traditional chief of staff," says James P. Pfiffner, a professor at George Mason University. "The danger of this is that no one runs the staff."

Indeed, the White House still lurches



THE WHITE HOUSE

unpredictably. For every deft maneuver, such as the seamless removal of Defense Secretary Les Aspin, there are several near-disasters, such as the abortive nomination of replacement Bobby Ray Inman or the inept handling of the Whitewater scandal.

OUTREACH WORKER. These alternating bouts of competence and confusion sow doubts about McLarty. Can a man who has known Clinton since the pair smooshed finger paint in Miss Mary's nursery school tell his friend to come clean on Whitewater? The evidence isn't encouraging. "Mack wanted to deal with the mess sooner," says one source, adding that McLarty couldn't overcome Hillary's resistance to disclosing her role in the land venture.

McLarty agonized over calls for a special counsel: "If you acquiesce, you have to ask yourself, 'What am I doing to the President?' " Says the former GOP White House official: "Being First Friend is incompatible with being a good chief of staff."



"FIRST FRIEND": CRITICS SAY McLARTY MAY BE TOO LOYAL TO BE EFFECTIVE

McLARTY ENTERPRISES: A BALANCE SHEET

ASSETS	LIABILITIES
ACCESS Only Hillary is closer to Bill Clinton	**STAFF WOES** His inexperienced staffers are tagged "the Dwarfs," and personnel and legal offices are disasters
BUSINESS BACKGROUND The former chairman of Arkla Inc. is trying to impose structure on Clinton's chaos and serves as CEOs' pipeline into the Oval Office	**ARKIE VISION** McLarty is somewhat parochial, susceptible to cronyism, and loyal to a fault
HILL-CLIMBER Strong links to powerful Sunbelt conservatives in Congress helped win key votes for NAFTA and last year's budget	**OVEREAGER DEALMAKER** Loves to swap bridges for votes, but lawmakers take advantage of his compromising nature
POWER COUPLE Wife Donna Kay plies the Washington social circuit, winning many friends	**BUSINESS BACKGROUND** His consensus management style is ill-suited for rapid-fire White House environment

DATA: BUSINESS WEEK

McLarty seems more comfortable as a roving salesman for Clinton. Soon after the Pickens breakfast, he invited Ralph Nader over for a chat. McLarty regularly touches base with Jesse Jackson, NAACP Executive Director Benjamin Chavis, and antipoverty advocates. Many staff chiefs assign lobbying and liaison chores to subordinates. But at least McLarty can show results for his exertions: He won some votes during last year's fights over the budget and the North American Free Trade Agreement.

Swell, say Washington insiders. But who's minding the store while McLarty schmoozes? "Mack's forever visitin' with folks," gripes an aide. "What he isn't doing is making decisions." Concedes McLarty: "I do a little bit more outreach than other chiefs of staff."

McLarty sees himself as head of an entity called the "Office of the President." McLarty Enterprises is a node of order amid Clintonesque chaos, because McLarty is a clockwork executive. At dawn, his desk is covered with piles of papers that he will work through as the day unfolds. He sets timetables, reads progress reports, and assigns teams to head big projects.

Rising at 5 a.m., McLarty scans the newspapers, then slides into the driver's seat of his Ford Crown Victoria—a reminder that the family fortune derives from his father's Ford dealerships. In 15 minutes, he is at the White House.

McLarty's first stop is the Oval Office, where Clinton is usually studying a briefing book that choreographs each step of his day, down to nicknames of people he will meet. From there, McLarty presides at his 8 a.m. senior staff meeting, then convenes a smaller group of 14 senior assistants, including Gergen, National Economic Council chief Robert E. Rubin, Budget Director Leon E. Panetta, and adviser George R. Stephanopoulos. The group, known as the management committee, discusses legislative strategy.

Midmorning, McLarty attends a national security briefing and holds meetings with the scheduling and press staffs. And he juggles memos from Clinton, many drafted during the two-hour slugs of free time McLarty pencils into the President's schedule. For example:

Clinton has seen a new poll showing that Texas Governor Ann W. Richards, a big supporter, is only six points ahead of GOP rival George W. Bush. What's up? McLarty makes a mental note to check with his political people.

Then there's a query asking if the government has been too slow to help hurricane victims in Florida. "Mack, put somebody on this," Clinton writes. "We need to be in good standing with the people in Florida on this disaster."

Panetta has mentioned reports that Air Force One delayed Newark air traffic during a recent trip to New Jersey. Shades of "Hairgate." Clinton demands to know what happened.

THE PRAYER. Meanwhile, McLarty is bouncing between his own meetings and those on the ever-changing schedule of his boss. McLarty discovers that Clinton plans to make unscheduled phone calls to South African leader Nelson Mandela and to Turkish Premier Tansu Çiller. To compensate, he trims the President's regular get-together with Rubin from 15 minutes to 5.

Later, McLarty pops into a meeting on the '96 Democratic Convention. And he drops by a lunch Clinton is hosting to court several CEOs: American Airlines CEO Robert Crandall, Anheuser-Busch Chairman August Busch III, Archer Daniels Midland CEO Dwayne Andreas, General Motors CEO John Smith Jr., TRW Chairman Joseph Gorman, and Travelers Chairman Sanford Weill.

As the day winds on, McLarty will return dozens of calls, meet with three reporters, and attend a long-range scheduling meeting. At 6 p.m., McLarty briefly reviews the day with Clinton. Then he heads home for a small dinner party hosted by his wife, Donna Kay.

McLarty delegates enormous authority to deputies Harold Ickes and Philip Lader. A fiery liberal, Ickes is a New York lawyer who came aboard in January. He serves as McLarty's vice-president for political affairs, plotting strategy for the '94 elections. A favorite of the First Lady, Ickes also has to muster support for the Administration's health plan. "The prayer," says one Clintonite, "is that Hillary will—finally—listen to Harold." Lader, a South Carolina developer and co-founder of the Renaissance Weekends, is more attuned to manage-

ment. He calls himself McLarty's "chief operating officer" and oversees paperwork, personnel, and Clinton's maze of White House policy councils.

McLarty's delegating doesn't end there. He lets Stephanopoulos camp out in the Oval Office all day. Nor is he threatened when the Clintons seek advice from political consultants James C. Carville and Paul E. Begala. McLarty does, however, spend lots of time keeping tabs on the First Lady and the Vice-President. "We've got a tripartite Presidency," groans a top Clintonite. "That's an enormous management problem for Mack." McLarty's tactful response: "I'd say [it's] a great privilege and opportunity. Since the Vice-President's and First Lady's staffs are an integral part of the White House, it works."

ND MINES. But does it? Case in point: illarycare. Most Clinton advisers considered the First Lady's health-care plan too costly and burdensome. But neither McLarty nor other moderates made a frontal charge. Basically, the plan was punted over to Congress to fix.

McLarty's move to "empower" the Vice-President also is open to question. In his role as the Anti-Quayle, Gore is a key player on government reform, technology policy, the environment, and foreign affairs. Critics doubt whether he can perform all of these chores well.

McLarty, who prides himself on his management skills, won kudos for shaking up the political shop and improving media relations. But problems remain. The Counsel's office, headed by Hillary chum Bernard W. Nussbaum, seems unable to detect land mines buried in the resumés of nominees. Veteran pols say the former corporate attorney has a political tin ear. Nussbaum also is up to his legal briefs in Whitewater. U. S. Park Police probers feel he tried to obstruct their inquiry into the suicide of Deputy Counsel Vincent Foster Jr. "The mess in the counsel's office is Clinton's most serious staffing lapse," says Stephen J. Wayne, a Georgetown University professor. "Because of Nussbaum's closeness to Hillary, McLarty isn't fixing it."

> "We've got a tripartite Presidency. That's an enormous management problem for Mack."

Another trouble spot is the personnel office, which has been slow in making appointments and suffered through the Zöe Baird and Lani Guinier fiascoes. Lader is on the case.

"Mack is on a learning curve," asserts Gergen. But one Clinton adviser says McLarty's crew is too easily overwhelmed. "With the exception of Gergen and a few others, the staff resembles Snow White and the Seven Dwarfs," he adds. "They're smart dwarfs—but McLarty has not seen to it that Clinton gets more grown-ups around him."

Of course, McLarty wouldn't be the first slow-talking Southerner to be misjudged by Washington. For every Hamilton Jordan, there has been a Jim Baker. Indeed, the staff chief's fans insist that those who count him out are making a mistake. "Mack is like Clinton," says former Shreveport (La.) editor Lanny Keller, "he's a country boy who outslicks the city slickers." While that may prove true, the man called "Mack the Nice" has a ways to go before the cognoscenti are convinced the saying applies to him.

By Lee Walczak in Washington, with bureau reports

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ELL'S NEW BATTLE PLAN / FRAUD IN HOME HEALTH CARE

BusinessWeek

MARCH 14, 1994 A McGRAW-HILL PUBLICATION $2.75

THE ENTERTAINMENT ECONOMY

As consumers spend big bucks on fun, companies are plowing billions into theme parks, casinos, sports, and interactive TV. The result: Entertainment is reshaping U.S. econom



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ON POLITICS

BY GLORIA BORGER

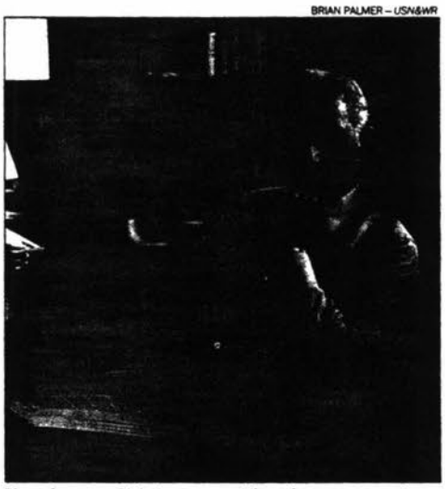
Double standards in Clintonland

It is a sorry state of affairs that it took Sen. Alfonse D'Amato, no card-carrying member of the ethics police, to smell the trouble before the press: Why was Roger Altman, acting head of the government agency investigating the Whitewater mess, giving three top White House officials a "heads up" on the inquiry? Next we learned that there were other, similar sessions. At the very least, some common-sense legal advice should have nixed these meetings. When it was all over, White House Chief of Staff Mack McLarty sent a belated internal memo reminding senior officials of the law; maybe he passed it along to Bernard Nussbaum, the president's ethics cop with a lousy track record, who was in on these discussions. Republicans wanted Altman's scalp. They always knew Nussbaum's departure was a good idea, but after all, they didn't want to solve too many problems for the White House.

What's missing from this picture? Where are those vocal Democrats who habitually summoned enough outrage to convene hearings about the possible misconduct of a former assistant housing secretary in 1989 or the dire misuse of gift funds by the ambassador to Switzerland in 1988? Aren't these questionable Whitewater meetings serious enough to raise some eyebrows, even though Republicans no longer run the executive branch?

Of course they are. But only a few Democrats are brave enough to admit it – and congressional oversight has become an oxymoron. Democratic leaders instead have chosen to put the kibosh on righteous indignation; they are deeper into damage control. That explains why House banking chairman Henry Gonzalez – who demonized presidential son Neil Bush as a player in an S&L scandal – wants no part of investigating this first couple's ties to Madison Guaranty.

BRIAN PALMER – USN&WR



Nussbaum. *Ethics cop with a lousy record*

Democrats hit GOP scandals hard; why are they silent now?

Silent watchdogs. Conspicuously quiet, too, are the resident Washington white hats, the nonprofit government watchdogs. Some are too busy lobbying for campaign reform to risk making enemies in the White House. There is, admits Charles Lewis of the Center for Public Integrity, a "quiet, unstated thinking that some may not like what the White House is doing, but they're better than the [GOP] alternative." The result is what Lewis calls "a complete, deafening silence" from the usual rabble-rousers. But the press, thriving somewhere down the food chain, takes its cues from the people who honk. And so a double standard emerges, clear as white water: If the Republicans had acted like this, the bad press would have come sooner.

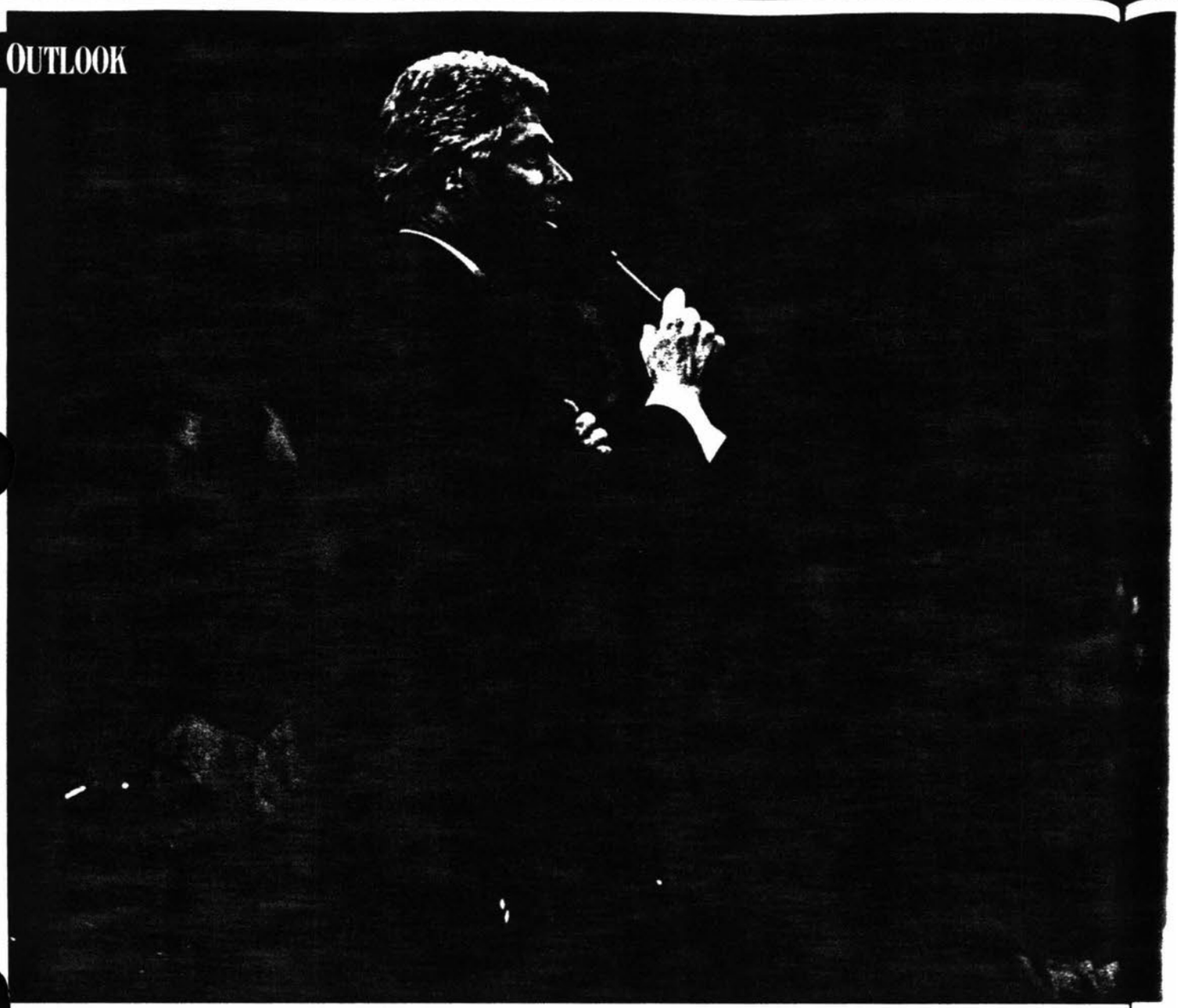
There is no shortage of examples. New presidents are expected at the outset to establish blind trusts for their finances to avoid even the appearance of conflict of interest; Bill Clinton's wasn't created until July 1993, six months after he took office and three days after Vincent Foster's death. The long delay was not high-profile news. Neither was the revelation of Hillary Rodham Clinton's $100,000 stake in an investment group that, at the end of 1992, had nearly 14 percent of its money in health care stocks. The group had "short" positions in certain health care companies, betting that their prices would decline; it bet right, particularly since Mrs. Clinton's own health care task force was pushing price controls that could hurt those businesses.

No one says the first lady was out to make a killing. Rather, the issue is that the potential conflict should have been handled sooner. The White House said there was no problem because Mrs. Clinton was not a government employee. But when called upon to defend her closed health reform meetings, it turned around to argue she *was* a government employee. Again, no huge headlines. But recall the front-page stink when it was learned that Secretary of State James Baker owned substantial stock in Chemical Bank, which lends money to Third World nations. The investment was in a blind trust, but all the heat forced Baker to immediately – and appropriately – sell the stock.

Republican Rep. Frank Wolf of Virginia has taken to corresponding with McLarty to air another ethical gripe: Why does a group of the president's outside advisers have seemingly permanent "temporary" White House passes? Wolf argues that the political strategists have the best of both worlds, keeping private-sector salaries with top public-sector access – and no formal disclosure rules. "What outside group wouldn't mind 'paying' an employee to go 'volunteer' at the White House?" he asks in a letter. Strategists Paul Begala and Mandy Grunwald say they do no lobbying, their clients are political and the list is no secret. "We have met a higher ethical standard" than previous GOP strategists, says Grunwald. The problem, though, is that the public is left relying on their good intentions.

It's not that this White House has been silent on setting standards. There is, for instance, a five-year rule preventing certain top officials from lobbying their former agencies – a ban that arguably works to keep qualified candidates from entering government service. And during his first session with senior White House staff, the president called for an administration "dominated by high standards and clear vision, and we ought to have a good time doing it." Trouble is, they don't even look like they're having a good time. ■

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But do they *believe?*

ONE WEEK

Perhaps it is the curse of Bill Clinton's victory that his presidency is doomed to be the obverse of George Bush's. Americans generally liked the amiable Bush, yet became dismayed by his unwillingness to act as a leader (except for the gulf war) and allay their fears that the nation had slipped off track. In contrast, they mostly appreciate Clinton's energetic approach to solving problems and his Oprah-like capacity to embrace audiences of any stripe. But they are plagued by doubts about what kind of man he is.

As in the Bush season, Americans will probably be content to live with their conflicting views of Clinton for a while. Bush's approval rating once topped 80 percent at the same time a majority of citizens believed the nation was heading in the wrong direction. Eventually, though, the contradiction is resolved. In Bush's case, that meant voters' once high estimation of him as a man gave way to their despair of his ever being an effective leader. In Clinton's case, the danger comes from the opposite direction: His significant governing achievements could be crushed by the accumulated weight of his flaws, his mistakes and his past.

It is baffling why Clinton, a skilled politician attuned to the public's yearnings, does not appear to see this. He, his wife and his staff are all treating the burgeoning problems

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In his element. *Clinton usually wows audiences like last week's gathering of students and parents in suburban Chicago.*

associated with the family's tangled investment in the Whitewater Development Corp. just like the lawyers that they are. To them, the issues are technical finance and tax matters to be handled with carefully calibrated answers and limited disclosures. This cat-and-mouse game is wearying.

Clinton seems not to remember that Americans like nothing better than repentance, expiation of sins and redemption. If the Clintons had made full disclosure, settled their tax bills and offered appropriate apologies, the Whitewater saga would likely have ended a week after it arose last fall. Instead, they have increasingly withdrawn into a cocoon, sheltered by a top-level staff of friends and a friendly staff at lower levels. Their reward is a special prosecutor who will drag the Whitewater issues into the 1996 election cycle.

Clinton's challenge in overcoming public doubts is especially dicey because Americans increasingly believe that the nation suffers grievously from a lack of values: honesty, honor, courage, personal responsibility, temperance, fealty and, most important of all, a clear sense of right and wrong. Voters not only want public policies organized around such values, says pollster Celinda Lake, but they want the politicians who make the laws to be of high moral character. It's becoming harder and harder for a leader to get a hearing for his ideas unless the public thinks he's virtuous himself.

Clinton can take comfort that people continue to cheer when he speaks as a moral leader about the nation's spiritual collapse. He still has what the lawyers around him would call "the standing" to address such issues. But if his moral stature slips, his capacity to lead could be fatally compromised. □ BY HARRISON RAINIE

DARRYL HEIKES – USN&WR

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OUTLOOK

THE FIRM

TANGLED WEBB. "Who is Webster Hubbell?" So asks a *Wall Street Journal* editorial questioning Bill Clinton's golfing companion and Hillary Rodham Clinton's ex-law partner. Last week, the answer was that the portly Justice Department official was yet another trouble spot as the White House tries to disentangle itself from the Whitewater affair.

It wasn't real estate that put Hubbell in the headlines. Instead, the *Washington Post* said partners in the Rose Law Firm of Little Rock, his former base, suspected he had overbilled clients and failed to make sure that the firm recouped large sums due from him or clients when he quit. Hubbell has denied any wrongdoing.

The billing brouhaha is just the latest question plaguing the 46-year-old onetime mayor of Little Rock. After being chosen for Justice's No. 3 post, he caught flak for belonging to a club with no black members. Result: He quit. Then the man who held Justice's No. 2 job charged that Hubbell was too prominent as a Justice-White House liaison. Now, senators are studying an FBI report on Hubbell for clues to problems.

CHICK HARRITY – USN&WR



Hubbell. *Little Rock was easier.*

So far, the furor has not derailed the former college football star. Hubbell recently told *U.S. News* that his job overseeing such diverse areas as civil rights, the environment and antitrust matters was "different than what I thought I might be doing." Yet he pronounced himself "real happy."

BY TED GEST

U.S. NEWS

WHITEWATER: IS THE CRIME A COVER-UP?

Bill Clinton keeps insisting that no crimes were committed and no wrongs done, but the clouds of the so-called Whitewater affair continue to gather around his administration. Last week's disclosures that White House Counsel Bernard Nussbaum had been briefed privately on the Whitewater investigation heightened the controversy – and may have been the episode that sealed Nussbaum's fate.

The White House was roiled further at week's end by a surprise subpoena for Whitewater-related documents. At issue is whether the president and Hillary Rodham Clinton profited improperly from the land investment or failed to declare and pay sufficient taxes. Amid a firestorm of criticism, Clinton himself called the Nussbaum meetings a mistake. But that's just the beginning. A grand jury's investigation of documents shredded by Hillary Clinton's former partners at the Rose Law Firm in Little Rock has fueled talk of a cover-up. Although the late Vincent Foster's initials appeared on the documents, Rose partners deny that any of Foster's papers were destroyed.

Foster committed suicide last year, but his legal work may yet prove relevant to the inquiry. *U.S. News* has learned that Foster worked for James McDougal's Madison Bank & Trust as early as 1981. Madison lent Hillary Clinton $30,000 to build a model home at Whitewater. That lot was later sold. Whitewater transactions are at the heart of the current investigation by special prosecutor Robert Fiske Jr.

Questions for three Arkansas figures



CASEY

WHY DID THE U.S. ATTORNEY IN LITTLE ROCK REJECT DAVID HALE'S BARGAIN OFFER TO ACT AS AN UNDERCOVER INFORMANT AGAINST ARKANSAS'S POLITICAL ELITE?

HALE

DID THE FORMER MUNICIPAL JUDGE FUNNEL $30,000 IN GOVERNMENT LOANS THAT WERE SUPPOSED TO GO TO DISADVANTAGED ENTREPRENEURS?

TUCKER

DID THE CURRENT GOVERNOR OF ARKANSAS PROFIT IMPROPERLY FROM A LOAN THAT WERE MADE BY HALE AND SUBSEQUENTLY FALSIFY FINANCIAL STATEMENTS?

No deal. Past investigators have been less vigorous than Fiske. After his Little Rock offices were raided last June, David Hale, a former judge now accused of fraud, offered to wear a hidden microphone. Hale told U.S. Attorney Paula Casey that Bill Clinton and Jim Guy Tucker, Clinton's successor as governor, were involved in the fraud, which entailed $900,000 in federal loans. By aiding the investigation of fraud and other business related to Whitewater, Hale hoped to cut a deal.

Standard prosecutorial practice in such cases is to secure cooperation of minor defendants and go after bigger fish. Casey refused Hale's offer of cooperation, however. A longtime supporter and an appointee of Bill Clinton, she finally recused herself from the Whitewater inquiry in November – after Hale had been indicted and his opportunity to assist with an investigation had diminished. Casey did not return phone calls to discuss the Hale case.

Hale could still hurt the president. At a pretrial hearing last week, witnesses testified that he boasted of Clinton's involvement in his loan schemes. And sure to come up in Hale's trial later this month is a $300,000 loan made to a McDougal shell corporation called Master Marketing. Hale says Clinton pressured him into making the loan; the president denies it. ☐ BY GREG FERGUSON AND DAVID BOWERMASTER

ARKANSAS DEMOCRAT-GAZETTE. ARKANSAS DEMOCRAT-GAZETTE. DARRYL HEIKES – USN&WR

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The Clinton administration has a full-blown scandal on its hands, with accounts of document shredding, the subpoena of top officials and the resignation of the White House counsel. Was it a cover-up—or just plain bungling?

WHITEWATER

THE MESS

TORTURE

THE INSTRUCTIONS TO WHITE House aides in the Friday-evening memo were chillingly specific. All computer records were to be preserved. No "burn bags," normally used to handle papers earmarked for destruction, would be removed. "If you have any doubt about whether a particular document is called for . . . ," wrote deputy presidential counsel Joel Klein, "you must save it."

The Whitewater affair entered a new and potentially explosive realm last week. Suddenly, the mind-numbing tales of obscure land dealings and state-capital intrigue are something more alarmingly recognizable. Each day's revelations unfolded with queasy familiarity, carrying hints of cover-up: stories of shredded documents; subpoenas served on presidential aides; talk of congressional hearings; the forced resignation of the White House counsel, whose parting letter to the president snipes bitterly at ". . . those who do not understand, nor wish to understand, the role and obligations of a lawyer." It all finally raises the question: is Whitewater a chronic case of political ineptitude and inattention to appearances, or the biggest legal mess to enmesh the White House since Iran-contra? Or is it both?

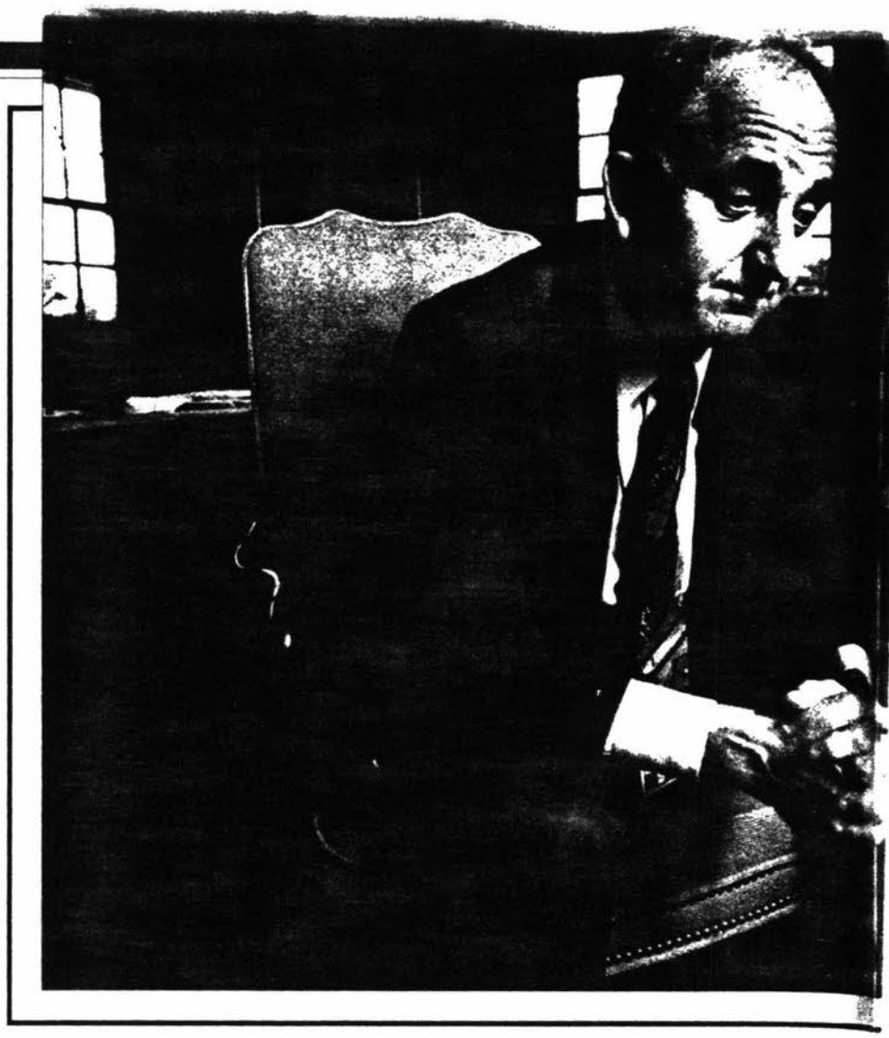
Inside the administration there is a looming sense that its entire domestic agenda is at risk. At a time when the president's health-care-reform plan is facing serious setbacks, questions involving Hillary Rodham Clinton's Whitewater role (page 24) have diminished her effectiveness as its most passionate defender. A messy series of congressional hearings now appears inevitable. Democrats on the Hill have told the administration that holding off Republican demands any longer would jeopardize Clinton's legislative plan. The only question, says one top aide, is "how open-ended the hearings will be, and whether the Republicans will learn from the Democrats' mistakes on Iran-contra." Those mistakes include granting immunity in exchange for testimony, a strategy that compromised criminal prosecution of Iran-contra figures. As the week wore on, glum aides worried about how they would afford pricey criminal attorneys. The New York Times editorialized that it had not seen such casual disregard for ethics since the Nixon era. "That," said one senior White House official, "went through my gut like a sharp knife."

A looming sense of what is now at stake

So far, no one has proven any criminal wrongdoing. But with a three-year lease on a Little Rock office, a burgeoning staff of ambitious prosecutors and a grand jury in Arkansas ready to hear evidence, special counsel Robert Fiske has made it clear that he intends to pursue the case wherever it might lead. As Klein's directive circulated on Friday night, FBI agents acting on Fiske's orders served six senior Clinton aides and four current and former Treasury Department officials with subpoenas to appear in federal court on Thursday. Those summoned include some of the president's top advisers, like deputy chief of staff Harold Ickes and Treasury Deputy Secretary Roger Altman. Another subpoena called for any information on what appears to be a series of grossly inappropriate contacts between White House aides and federal investigators examining Madison Guaranty, the Arkansas S&L that foundered in 1989. Its former owner, James McDougal, was Bill and Hillary Clinton's partner in Whitewater, the unsuccessful vacation-home development on northern Arkansas's White River. Fiske's volley of subpoenas came as Whitewater claimed its first Washington casualty: presidential counsel Bernard Nussbaum. The former Wall Street litigator,

a principal player in a string of political misadventures from Zoë Baird to the firings in the White House travel office, finally lost the support of his patron and legal soul mate, Hillary Clinton.

It is possible Fiske may yet come up with hard proof that the Clintons knew of funds passing illegally from Madison to Whitewater or to Clinton's 1984 gubernatorial reelection campaign. The Clintons also could conceivably face civil actions stemming from Madison's losses, or back taxes on Whitewater land transactions. And the First Lady's stature will almost certainly be tarnished by her decision to represent her friend and Whitewater partner James McDougal before a state regulator appointed by her husband. But far more troubling than any Whitewater revelations have been the White House's attempts to conceal and control the story. Like a string of administrations before them, the Clintonites ignored the cardinal rules of Washington scandal management: dispose of damaging information early, and don't look as if you have something to hide.



THE MOST STARTLING NEW REVELAtions involve Little Rock's Rose Law Firm, where Mrs. Clinton was a partner from 1977 to 1992. Once a staid and respected white-shoe practice, it is looking more like a real-life version (minus the mob ties and mayhem) of Bendini, Lambert & Locke, John Grisham's fictional firm set 140 miles to the east in Memphis, Tenn., where document shredding and overbilling of clients were prevailing practices. According to The New York Times, a Rose courier told a Little Rock grand jury that he and a colleague used a shredder in the firm's basement earlier this year to destroy files belonging to Whitewater's most tragic figure—former Rose partner and White House counsel Vincent Foster. Before his death by suicide last July (a finding also being reviewed by Fiske), Foster had handled a variety of private legal matters for the Clintons, including the sale of their interest in Whitewater.

The account described how document dumping at the firm accelerated as Clinton edged closer to the presidency. Rose managing partner Ronald Clark said it was to protect clients from reporters caught scavenging trash behind the firm's building. Law firms shred documents all the time, for reasons no more nefarious than to free up storage space. Rose says the only Foster-related documents destroyed were internal materials such as notes from firm committee meetings. But given the circumstances of Foster's suicide and the suspicion surrounding it, why rush to shred anything at all? According to the Times account of the courier's testimony, the shredding took place on or around Jan. 20, when Fiske became special counsel. One of his first moves was to serve notice on Rose that all documents relating to Foster be preserved. If relevant documents were destroyed after Fiske's order, the firm could be in serious trouble. Clark would not return phone calls.

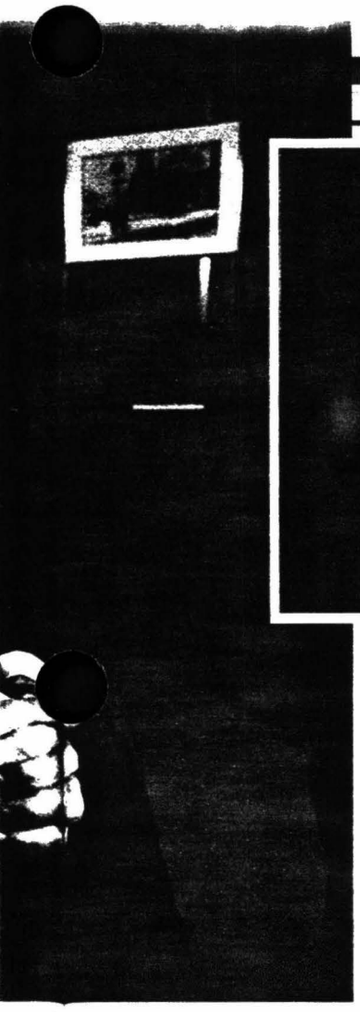
Rose took another hit last week when The Washington Post reported that the firm is investigating Associate Attorney General Webster Hubbell, an ex-partner, for overbilling clients. Hubbell, Clinton's golfing buddy and the third-ranking official at the Justice Department, denies any impropriety. He believes he's the victim of a vendetta waged by younger partners angry over Rose's Whitewater notoriety. But law-firm documents obtained by NEWSWEEK suggest that Hubbell may well have overbilled the government while suing Madison's former accountants. In one instance, he charged the government his $140-an-hour partner rate for a call that a likely witness in the case says was made by a Rose paralegal.

But the most damaging development by far was last week's disclosure that senior Treasury Department officials briefed Clinton aides at least three times in the last five months concerning the regulatory agency's investigation into Madison Guaranty. The Resolution Trust Corporation (RTC) is an ostensibly independent agency charged with recovering funds lost by insolvent S&Ls. But vacancies in the senior ranks forced Treasury officials to cross over to take care of RTC business.

Altman, acting RTC chairman, told the Senate Banking Committee on Feb. 24 that he arranged a "heads-up" session for Nussbaum and other aides on how the agency would proceed with potential civil claims regarding Madison. He also told the panel he knew of no other contacts between the White House and regulators. But last week the White House confirmed reports of two other liaisons. On Sept. 28, Treasury counsel Jean Hanson briefed Nussbaum on RTC's plans to refer its Madison investigation to the Justice Department for criminal action. Moreover, she told Nussbaum, the Clintons were mentioned in the document—not as investigative targets but as potential beneficiaries of Madison misconduct.

Such documents, known as criminal referrals, are normally kept confidential from potential subjects or others who might compromise the investigation. Hanson, who reported to Altman, seems to fit the description. Treasury sources say she got her

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The Lawyers

Nussbaum (far left) was a tough corporate litigator whose lack of political judgment eventually cost him his job. Altman (left) offered a questionable 'heads-up' to White House aides. Hubbell (above) faces questions about overbilling clients at Rose.

CLOCKWISE FROM LEFT: RICHARD BLOOM – SABA (2); ROBERT TRIPPETT – SIPA

information from William Roelle, then RTC senior vice president, who declined to comment. What Nussbaum did with the information supplied by Hanson is not known. Fiske will surely want to find out.

Altman, a favorite of the Clintons', is expected to survive the fallout, although his contention that he was unaware of the other gatherings is a stretch. "He'll have to eat this for a while, but he's OK," says one White House aide. Hanson may be another story. She sat next to Altman during last month's Senate hearing and did nothing to correct the record when her boss—inadvertently or not—misled committee members. "She's going to get it straight in the eye," says one Treasury source.

Word of the RTC meetings all but sealed Nussbaum's fate. As the week went on, said one White House aide, there was "a growing tom-tom on this. You could just hear the drums." A combative corporate litigator, Nussbaum never developed the fingertip political touch necessary for survival in Washington, where appearances count for everything. His poor judgment in the aftermath of Foster's death (withholding a note from investigators, shipping Whitewater records to the Clintons' private attorney) only inflamed suspicions.

AT A FRIDAY-MORNING MEETING, Clinton finally agreed with aide George Stephanopoulos, chief of staff Mack McLarty and Ickes that Nussbaum had to go. Later that day, signals were sent in the usual Beltway shorthand: Clinton passed on several opportunities to defend him. At a 5 p.m. Oval Office meeting, he fired him. Even then, Nussbaum was reluctant to go. To soften the blow, McLarty offered him a 30-day grace period. Sources tell NEWSWEEK that Washington attorney Charles Ruff, a candidate for attorney general last year, leads the list of possible replacements.

Before last week's parade of subpoenas, Clinton seemed to be in sound political condition. A Washington Post-ABC News Poll found him with the highest approval ratings of his presidency, 58 percent. It also showed that Americans have more confidence in Democrats than in Republicans to handle the country's problems. But with the advent of a formidable prosecutor and bipartisan momentum for hearings, that margin could well dwindle. That's because Whitewater is no longer a periodic irritant. It is trouble.

BILL TURQUE *with* RICH THOMAS, BOB COHN *and* ELEANOR CLIFT *in Washington and* MARK HOSENBALL *in Little Rock*

Losing the Spin



July 1993 Vince Foster is found dead on July 20, an apparent suicide. Investigators are miffed when, two days later, Nussbaum claims Foster's files without disclosing their contents. Nussbaum later finds a note in Foster's briefcase but waits 30 hours before turning it over.

December 1993 After denying knowledge of Whitewater files found in Foster's office, the White House admits some files were sent to the Clintons' lawyer, David Kendall. House Republican Jim Leach calls for hearings to study the affair. Under pressure, Clinton orders the files to be handed over. But it's soon revealed that Justice was already preparing a subpoena and that Kendall negotiated a broader subpoena in order to seal more documents from public inspection.

January 1994 After damage-control efforts fail, Clinton asks Reno to name a special counsel. A week later, Fiske *(right)* is appointed.

February 1994 Reports appear of document shredding at the Rose Law Firm. Jeremy Hedges *(right)* testifies before a Whitewater grand jury that he shredded documents marked with Foster's initials. Before Congress, Altman admits he





briefed senior White House aides, including Nussbaum, on the status of the RTC investigation into the collapse of Madison Guaranty. Press reports then detail earlier meetings between White House aides and Treasury officials to discuss the RTC investigations.

March 1994 Clinton pledges to build a "firewall" between the White House and federal agencies examining Madison. Ten White House aides and Treasury officials who discussed the RTC probe are subpoenaed to appear before a Whitewater grand jury. Nussbaum resigns

FROM LEFT: IRA WYMAN FOR NEWSWEEK; AP; DANNY JOHNSTON – AP

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The First Lady can no longer distance herself from Whitewater. She's at the center of the political and business deals being examined by the special counsel.

HILLARY'S TROUBLE

THE QUESTIONS

HILLARY RODHAM CLINTON and Bernard Nussbaum are old friends, and they agree about many things, especially Whitewater. Two tough-minded corporate lawyers trained to abhor disclosure, they never were eager to turn over documents. They stoutly resisted the appointment of a special Whitewater prosecutor. Hillary helped to choose Nussbaum a year ago as White House counsel, and for a time last week, she fought to preserve his job. Only on Friday did she accept the inevitable, inviting him to her office for a solemn chat. He still thought he could hang on, but a few hours later he found himself in an exit interview with the president.

The ironies of history sometimes are excruciating. In the winter of 1974, Hillary Rodham and Bernie Nussbaum were both lawyers on the staff of the House Judiciary Committee's inquiry into the impeachment of Richard Nixon. Although only the Clintons' spiteful enemies equate Whitewater with Watergate, some of the parallels are obvious—and the questions about Hillary's role are numerous. She has been accused of no crime. But she is a recurrent thread in the weave of deals, political friendships and business associations being examined by Whitewater special counsel Robert Fiske.

Four of the 10 officials subpoenaed to testify on their efforts to manage the Whitewater scandal are Hillary's employees or allies: her chief of staff, Margaret Williams; her press secretary, Lisa Caputo; White House deputy chief of staff Harold Ickes, and Nussbaum. Fiske intends to re-examine the suicide of one of her closest confidants, Vincent Foster Jr., a White House deputy counsel who was working on the Clinton family finances when he died. Fiske is also looking at state business deals and legal work done in Arkansas by Associate Attorney General Webster Hubbell and associate White House counsel William Kennedy. Like Foster and Mrs. Clinton, both were partners at the respected Rose Law Firm in Little Rock, which is itself in turmoil—and fending off accusations that its clerks shredded documents relevant to Whitewater, including those belonging to Foster.

Since the beginning of her husband's presidential campaign in 1991, Mrs. Clinton's view was that her career and financial dealings were strictly private concerns. Throughout the campaign she refused to answer questions about them. Now, in Washington, her distrust of the press has become obsessive and politically risky. Her stonewalling has lent further credence to the speculation that the Clintons have something to hide. She had to be overruled by the president himself on the question of a special counsel. He made the decision on a transatlantic call while he was in Prague on Jan. 11.

Advisers say that no staffer wants to be the first to talk bluntly to Mrs. Clinton because of the "fear wall" around her. Friends say she can't see—or won't acknowledge—that her own actions contributed to the problem. "Where are our friends?" she lamented at a small dinner party recently. "Why isn't anyone defending us?"

The reverse of voluntary disclosure is un-

Upward Mobility

Most Americans know Hillary Rodham Clinton as the new-style First Lady, juggling her roles as mother and White House hostess with her highly visible position as chairwoman of the president's health-care-reform task force. But now the Whitewater affair is focusing new attention on her 20-year professional career. Among the highlights of her legal and financial dealings:



1974 Moves to Washington and becomes a staff attorney for the House impeachment committee investigating Richard Nixon. (Her mentor, New York lawyer Bernard Nussbaum, later becomes Clinton's White House counsel.)

1974-76 Interviews with the prestigious Washington law firm of Williams & Connolly and impresses Edward Bennett Williams. But Hillary decides to move to Fayetteville, Ark., to be with Bill Clinton and teach law at the University of Arkansas. They marry in 1975.

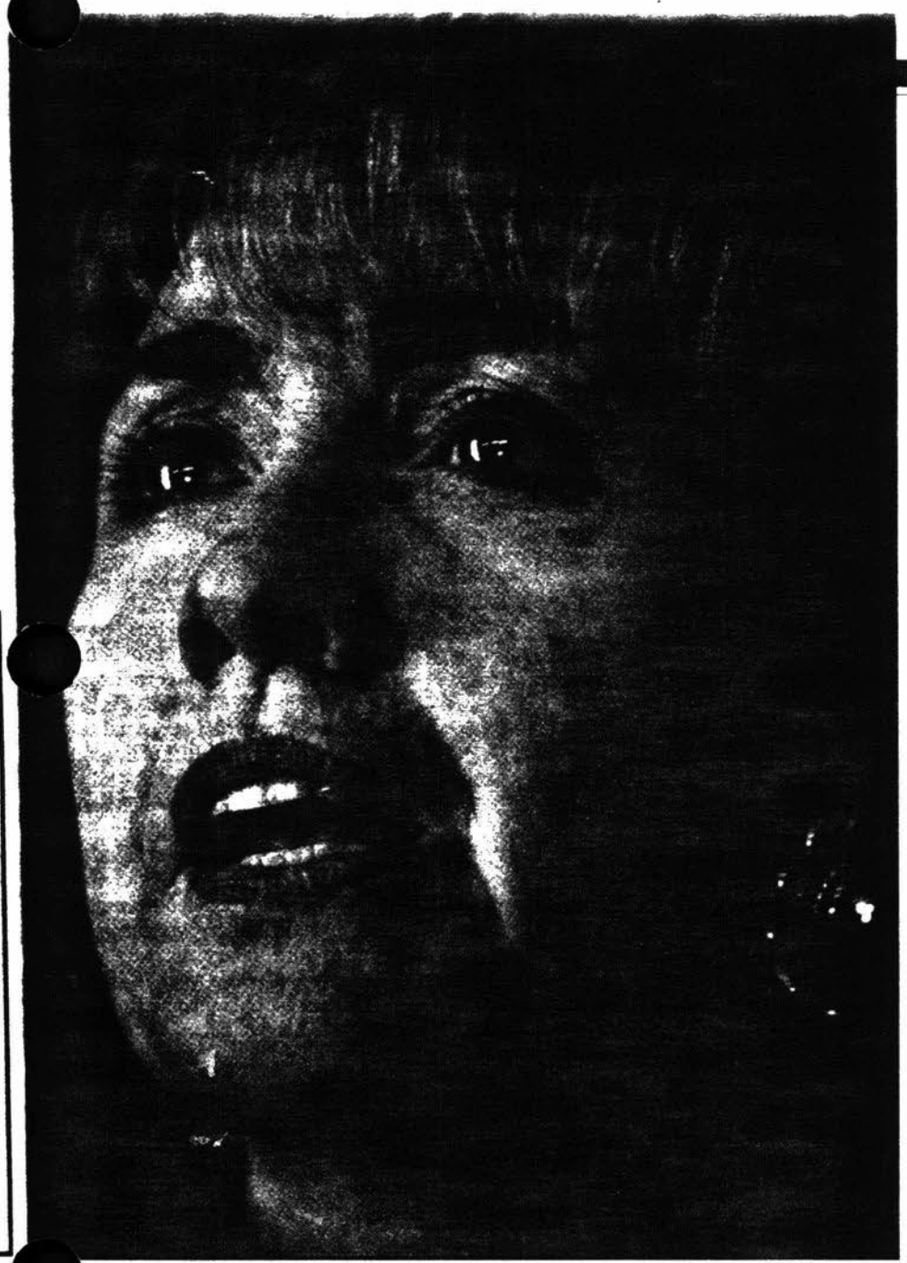
1977 Moves to Little Rock after Bill is elected attorney general. The Rose Law Firm hires her at $40,000 a year, considerably higher than Bill's salary. In 1979, she makes full partner.



1978 The year her husband is elected governor, Hillary and Bill become equal partners with Jim and Susan McDougal in a $200,000 investment in the Whitewater Development Corp. (The amount the Clintons actually invest is in dispute.)

1983 Takes a leave of absence to head her husband's education-reform initiative. She and law partners Vince Foster and Webster Hubbell contribute $15,000 each to create Midlife investment fund; Hillary calls regularly to inquire about its performance.

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HERB SWANSON—SIPA

derway, as investigators and reporters sift through Hillary's records for evidence of conflicts of interest in her law practice, misreported income on her tax returns or even funds funneled to her and her family by S&L owner James McDougal. "She'll come out looking bad," frets a White House aide. "The only question is how bad."

Atmosphere of tension: The new controversies have left their mark, both on her personally and on the atmosphere at the White House. "For the first time, someone has questioned her skill as a professional," says an administration official. "You can see the pain in her bearing. She's lost a bit of her bounce." As if to underscore the atmosphere of tension in the White House, late last week Hillary fired—with no notice—a seven-year veteran of the ushers' staff because she reportedly felt "uncomfortable" with him. And her role in Whitewater is adding to White House friction between "Bill's people" and "Hillary's people." There is growing resentment among her friends of what they call "the white boys" who constitute the president's circle. "They're not focused on spinning and protecting her," complains one friend.

Even some of her admirers in Washington are searching for deeper causes for her secrecy. Hillary was exceedingly ambitious for herself and her husband, and was the main family breadwinner for years. Reared in a thrifty home, married to a spouse with a casual attitude about money, she developed a perhaps excessive concern for her family's finances. In the '80s, during the shakiest times in their marriage, her concern for financial security may have been even more urgent. The question now is whether any of those pressures led her to cross ethical lines in various legal and business deals—and whether she used her husband's role as governor of Arkansas to help her do so.

Friends say that it was Bill's idea to invest in Whitewater, the project of McDougal, a



1985 According to McDougal, Clinton tells him the family needs cash, and asks Madison Guaranty to put Hillary on retainer. He does, at $2,000 a month. She later helps represent McDougal's business interests before a state bank regulator appointed by her husband.

WAL★MART

1986 Joins Wal-Mart's board, the first of several such corporate affiliations. Invests heavily in Value Partners, an "aggressive" fund favored by Little Rock's wealthiest.

1987 In a possible conflict of interest, Hillary helps represent the FSLIC in a case involving a failed Illinois thrift that had invested with Dan Lasater, a friend of Bill's. Patsy Thomasson, who managed Lasater's assets during the case, is now a top White House aide.

"TCBY"
The Country's Best Yogurt.

1989 Joins the board of TCBY Enterprises, Inc., a yogurt franchise based in Little Rock and a Rose client. TCBY's chairman was a heavy contributor to Clinton campaigns.

1990 Joins the board of Lafarge Corp., a French-owned cement manufacturer controversial for its handling of toxic-waste-disposal contracts. By now, Hillary is making more than $60,000 a year from corporate boards, besides $150,000 from Rose. Bill's salary is $35,000 plus perks.

1992 Objects to suggestions by campaign aides that she and Bill be required to pay personally for a Whitewater report. Throughout, she objects to detailed questions on her business career. After Clinton's nomination is secure, she quits all corporate boards.

1993 As health-care reformer, she accuses drug companies of greed. Apparently without her knowledge, Value Partners, her investment fund, is "shorting" pharmaceutical stocks. The Clintons announce they are putting their investments, worth nearly $500,000, in a blind trust.



FROM LEFT: NEWSWEEK; IRA WYMAN FOR NEWSWEEK; JERRY STALEY—SYGMA; STEVE KEESEE—SYGMA; NC; NC; JEFFREY MARKOWITZ—SYGMA

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longtime Clinton political ally. But it was left to Hillary to help keep the project afloat. A $30,000 loan to build a model home on the site was taken out in her name in 1981.

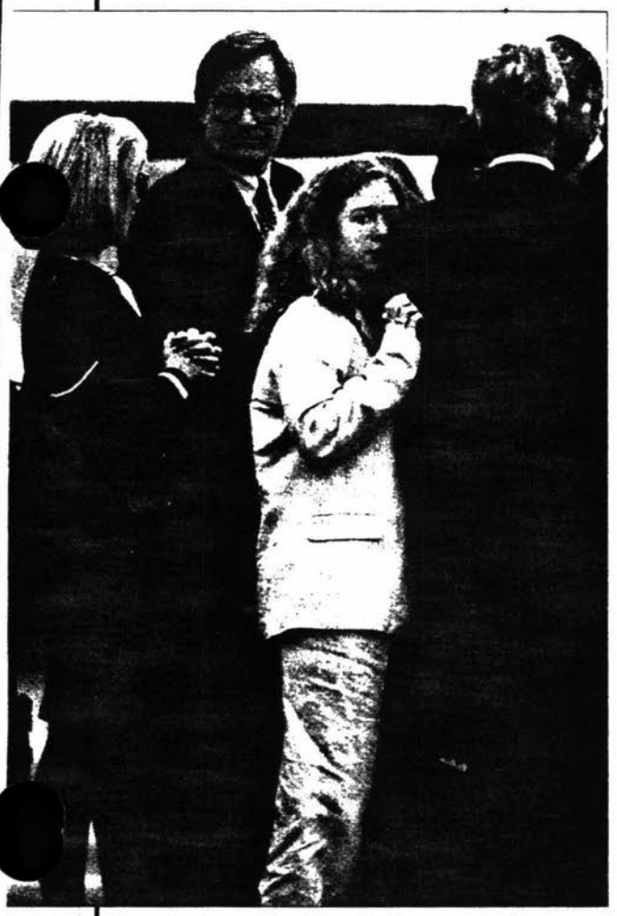
Starting in the mid-'80s, Mrs. Clinton became involved in the gamy world of banking and S&L law. One former lawyer at Rose says Hillary was determined to earn her share of that booming business, despite the risk of being involved directly with contributors to and supporters of her husband. "It was where the action was, and she wanted part of it," said the lawyer. Foster and Hubbell, with whom she had worked closely, oversaw much of that business—representing banks and S&Ls, and later representing the government in liquidating the same type of institutions.

The Clinton campaign denied it in 1992, but Hillary was involved in McDougal's effort to win state permission in 1985 for a new financing plan for his thrift and a scheme to set up a brokerage house. Though the "vast majority" of the work was handled by another lawyer, White House aide Bruce Lindsey told NEWSWEEK, her name appeared on two Rose documents related to McDougal.

The problems for Mrs. Clinton are these: she was a business partner of McDougal's—not just his lawyer on a $2,000-a-month retainer. That in itself is a potential conflict, since she had a personal interest in keeping him solvent. More important, she was corresponding on the matter with a state banking regulator, Beverly Bassett Schaffer, who had been appointed by Hillary's husband. Investigators also want to know if McDougal funneled bank money to Whitewater Development, of which Mrs. Clinton was part owner.

Two years later, Mrs. Clinton became involved in another thrift case that is now under scrutiny. She signed at least one document in a case the government was pursuing on behalf of a failed thrift in Illinois, which had invested money with a Little Rock bond brokerage. The brokerage had been owned by Dan Lasater, the "bond daddy" and friend of her husband who had won major state contracts. The suit, originally brought by private parties and later taken over by the government, sought to recover $3 million in damages from Lasater's firm. The Rose Law Firm settled the case for a mere $200,000. The lingering question is whether Hillary, and Rose, went easy on the Lasater firm because it was owned by her husband's friend.

Meanwhile, Hillary's contacts were beginning to bring in business—some of it resulting from her husband's policies. In 1986, encouraged by Governor Clinton with state financial support, private charities established the Southern Development Corp., to make business loans to the poor. Mrs. Clinton was one of its original directors. A worthwhile project, but there was something else in it for the Rose Law Firm. George Surgeon, Southern Development's principal founder and current president, told NEWSWEEK last week that Hillary and the firm had earned between $100,000 and $150,000 in legal fees representing the corporation over the years. When the corporation was founded, Surgeon says, the directors worried about the appearance of a conflict of interest but hired Rose anyway. Mrs. Clinton remained on the board until after the 1992 election.







The Hillary Connection

(Clockwise from left) The late Vincent Foster (facing camera), Beverly Bassett Schaffer and Harold Ickes are among those who have been caught in the weave of deals, political friendships and business associations

Net worth: Hillary's attention to income paid off. By the time her husband decided to run for president, Hillary was earning a six-figure salary at Rose and some $60,000 a year in director's fees, plus income from an aggressively managed mutual fund she had invested in starting in 1986. The Clintons' net worth, financial-disclosure forms showed in 1992, was about $700,000.

No matter how much they've saved, it may not be enough. Under current law, according to experts in the field, the Clintons can bill the government for virtually none of the costs of their legal defense. And, unlike senators, they can't easily create a "defense fund" that accepts contributions from friends. The legal fees will be enormous. Their defense team is being assembled by their lawyers at Williams & Connolly—where Hillary once interviewed for a job. Outside estimates put the likely cost of the firm's work at a minimum of $2 million—not necessarily because of any wrongs the Clintons may have committed but because of the sheer scope of Fiske's inquiry. By law, the firm's work can't be donated. Besides, as Hillary knows, good lawyers don't work for free.

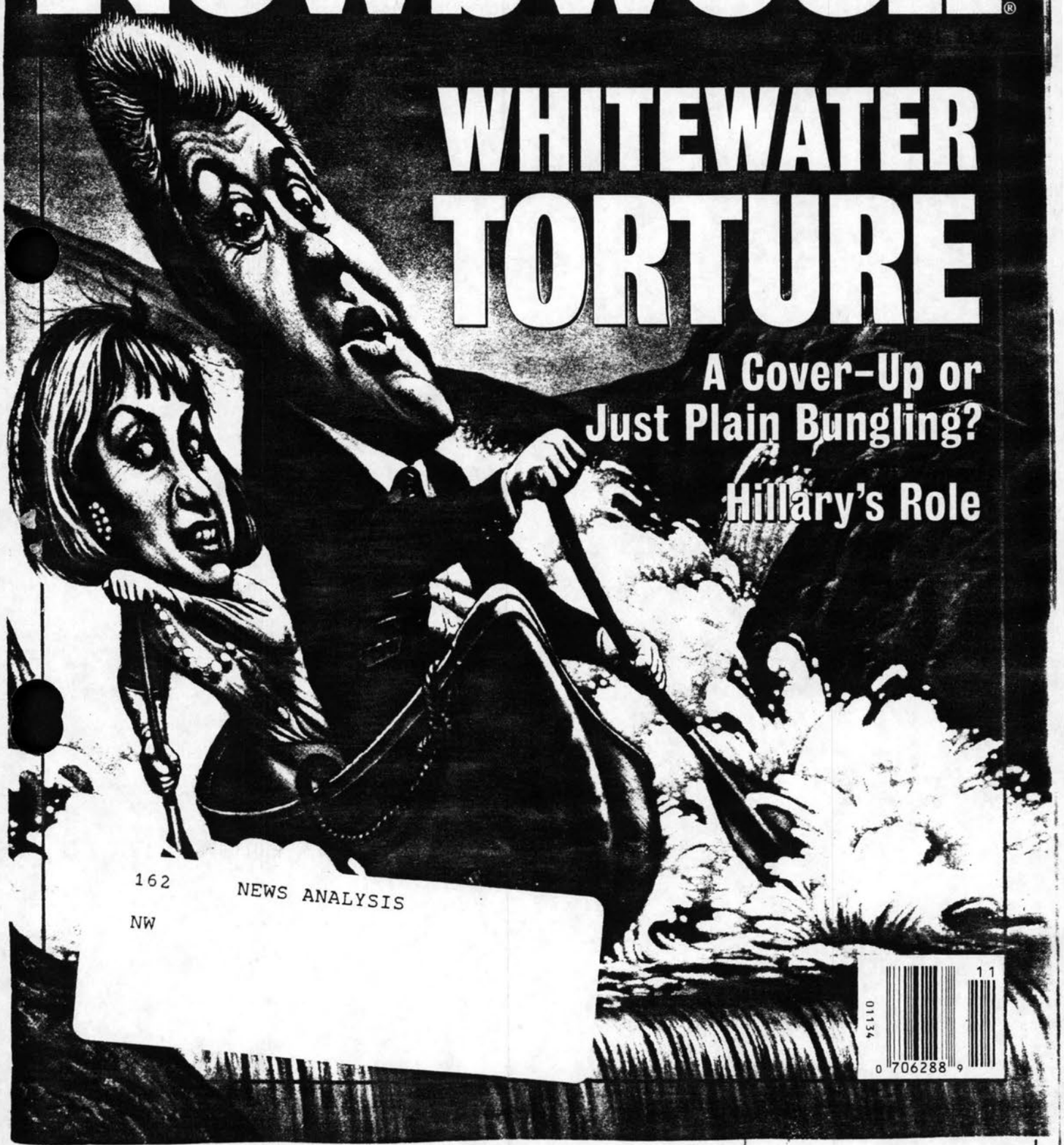
HOWARD FINEMAN *with* ELEANOR CLIFT *and* BOB COHN *in Washington and* MARK HOSENBALL *in Little Rock*

CLOCKWISE FROM LEFT: LARRY DOWNING—NEWSWEEK; STEVE KEESEE—ARKANSAS DEMOCRAT-GAZETTE; RICHARD BLOOM—SABA

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New: On Your Money A Personal Finance Guide

Newsweek®



WHITEWATER TORTURE

A Cover-Up or Just Plain Bungling?

Hillary's Role

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IRA WYMAN FOR NEWSWEEK

State-capital intrigue follows Bill and Hillary Clinton to Washington

Whitewater: Cover-Up, or Just Plain Bungling?

The Clinton administration now has a full-blown political scandal on its hands, with subpoenas of administration officials, talk of congressional hearings, accounts of shredded documents and the forced resignation of Bernard Nussbaum, the presidential counsel. NEWSWEEK looks into the new turns in Whitewater, and at the pressures that drove Hillary Rodham Clinton into a series of dubious legal and business deals. **National Affairs:** *Page 20*

New, From NEWSWEEK

This issue marks the debut of Focus: On Your Money, a new monthly personal-finance section. Senior writer Jolie Solomon looks at the brokerage industry's attempts at reform and reports that investors must still be wary. Also in Focus: Fidelity Investments chief Ned Johnson discusses his concerns about the stock market, and NEWSWEEK's personal-finance columnist, Jane Bryant Quinn, answers readers' questions about insurance and cashing out of retirement funds. **Focus:** *Page 40*





ALFRED—SIPA

Riot in Jerusalem

Peace Now?

In the wake of the Hebron massacre. Israeli Prime Minister Yitzhak Rabin and PLO Chairman Yasir Arafat spoke to NEWSWEEK about the shaky prospects for peace. **International:** *Page 30*

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TIME

■ WHITEWATER

Shadow Of Doubt

The Administration's judgment is in question again as the special counsel fires a volley of subpoenas

By RICHARD LACAYO



ROGER ALTMAN Deputy Treasury Secretary



BRUCE LINDSEY White House adviser



MARK GEARAN Communications director



HAROLD ICKES Deputy chief of staff



MAN OVERBOARD As the chief figure in the series of suspect meetings, Bernard Nussbaum had to walk the plank

BILL CLINTON HAS ALWAYS MODeled himself after John F. Kennedy. But as the Whitewater scandal continues to plague him, it is increasingly the fading memories of Richard Nixon that keep cropping up in the White House. The current scandal seems to lack any of the deep seriousness of Watergate, but the handling of the questions still hanging over the strange little land deal in Arkansas 16 years ago has produced an outsize shadow of doubt over the Administration—and prompted the resignation of a member of the President's and First Lady's inner circle.

The latest problem arose late Friday afternoon, when the phone rang in the office of associate White House counsel William Kennedy III. On the other end was an FBI official, calling to tell him that subpoenas ordered by special counsel Robert Fiske were about to be served on six White House officials and three Treasury Department staff members. Kennedy brought the bad news to chief of staff Mack McLarty, who gathered five of the targeted aides in the counsel's office at 6 to await the subpoenas.

The documents bore some of the Administration's biggest names, including White House counsel Bernard Nussbaum, senior adviser Bruce Lindsey, communications director Mark Gearan and deputy chief of staff Harold Ickes. They were ordered to Federal District Court in Washington to provide testimony for a grand jury in Little Rock. At issue is a series of meetings between White House aides and Treasury Department officials connected to the Whitewater investigation. Another subpoena ordered the White House to preserve any evidence relating to the meetings. Deputy counsel Joel Klein immediately barred the destruction of computer records or the removal of any burn bags and trash containers.

The subpoenas were one of the most embarrassing developments yet. At a time when the President is losing ground on health-care reform, his Administration's bobbling of the investigation brought on a week of painful disclosures, the FBI at the White House door—and Nussbaum's resignation.

His departure, effective April 5, became official in an exchange of letters with the President. Nussbaum blamed "those who do not understand, nor wish to understand the role and obligations of a lawyer . . ." Clinton more diplomatically noted, "We have worked together in Washington at a time when serving is hard."

Prodded by stories in the Washington *Post*, the White House had acknowledged a few days earlier that Treasury Department officials had met twice with Nussbaum and other Administration aides for the unusual purpose of discussing the progress of a federal investigation of the Madison Guaranty

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Savings & Loan. Madison Guaranty is the failed Arkansas thrift once owned by James McDougal, the Clintons' partner in the Whitewater real estate development. Deputy Treasury Secretary Roger Altman, acting head of the Resolution Trust Corporation, admitted to the Senate banking committee that he had briefed Nussbaum and other top aides on the probe.

The most ill-advised contact was in late September, when Nussbaum met with Jean Hanson, general counsel at the Treasury Department. She told him that the RTC, the agency charged with cleaning up the S&L mess, would soon send a request to the Justice Department asking for a criminal investigation of Madison. Though the request does not charge the Clintons with wrongdoing, it names them as possible beneficiaries of illegal Madison transactions. For a regulatory body to disclose such a matter to any of the parties involved is a considerable departure from standard practice, to say nothing of a spectacular instance of bad political judgment.

At a second meeting in October, Nussbaum was joined by Gearan; Lindsey, a top Clinton aide who was the chief explainer of Whitewater; and Josh Steiner, Treasury Secretary Lloyd Bentsen's chief of staff. According to Gearan, they discussed how best to respond to press questions about Whitewater.

Faced with something that approached a regular kaffeeklatsch linking the White House with agencies looking into Whitewater, an embarrassed Clinton insisted at midweek that "no one has actually done anything wrong," but nonetheless added, "I think it would be better if the meetings and conversations hadn't occurred." The President ordered McLarty to issue a rule to senior Administration officials about Whitewater chats with federal regulators: Don't have them or, before you do, clear them with me.

IN ADDITION TO THE SUBPOENAS TO Nussbaum, Lindsey and Gearan, who attended one or all of the meetings, and Ickes, who has lately been handling Whitewater damage control for the White House, two others went to aides of Hillary Rodham Clinton. Her chief of staff, Maggie Williams, attended at least one meeting. Press secretary Lisa Caputo had heard last fall from an RTC official about press inquiries involving the case. Four more subpoenas went to former Bentsen aide Jack DeVore and Altman, Hanson and Steiner at Treasury.

Senate Republicans could hardly contain their glee as Whitewater appeared to turn into the kind of consuming issue that paralyzes an Administration; 43 G.O.P. members promised that until the Senate banking committee holds hearings on the suspect meetings, they will block the Administration's nomination of Ricki Tigert to head the Federal Deposit Insurance Corporation. "You're asking for big, big trouble and showing some stunningly bad judgment when you start mixing politics with law enforcement," clucked Senate minority leader Bob Dole.

This realization came too late to Nussbaum, who brought to Washington the truculent manner of a big-city courtroom litigator and the political instincts of a country parson. His involvement in several notable White House debacles, including the travel-office uproar, the extended search for an Attorney General and the choice of an easily targeted Lani Guinier for a top Justice Department post, earned him the reputation of a Beltway naif and worse. Until last week the most serious charges against him involved his actions after the apparent suicide last year of White House lawyer Vincent Foster, when Nussbaum interfered in investigators' attempts to examine Foster's office and removed some records, including files pertaining to Whitewater. It was an odd notion of propriety for a man who did his first stint in Washington on the staff of the House Watergate committee.

As soon as news of the Nussbaum meetings with Treasury officials emerged, pressure built within the White House to dump him. By last Friday, Clinton's most influential advisers—McLarty, David Gergen, George Stephanopoulos and Vice President Al Gore—all agreed he had to go.

For a while, there was resistance from Nussbaum, who wanted the resignation postponed to avoid the appearance that he had been forced out, and from a dwindling number of supporters. However, fed up with Washington and its rough handling of her husband, Nussbaum's wife Toby was relieved to see him leave the job. On Friday afternoon, tellingly, Clinton passed up two opportunities to defend Nussbaum in public. That evening he called his old friend into the Oval Office to discuss how the deed would be done. A reluctant Nussbaum agreed to go. His view, as a senior White House official put it, was "I'll be the lightning rod. I'll take the hits."

So far, the damage has not reached Treasury Secretary Bentsen. Scrambling to distance himself from the rising muck, he ordered his employees to have no more contact with the White House about Whitewater and asked the Office of Government Ethics to review the earlier contacts.

When the Whitewater focus wasn't on Nussbaum, it turned toward the Rose Law Firm of Little Rock, where Foster, the First Lady, Associate Attorney General Webster Hubbell and White House lawyer Kennedy were all once partners, known collectively as "the Famous Four." Last week the firm added to the Whitewater saga that piece of office equipment vital to any full-fledged political scandal: a shredder. The New York *Times* reported that a college student who works at Rose told the federal grand jury convened by Fiske that in late January he and another employee were ordered to shred a box of documents that appeared to have come from the files of Foster, whose legal work on behalf of the Clintons included handling the sale of their parts of the Whitewater acreage. The story was denied by representatives of the firm, who had some logic on their side: Would they select a part-time college kid to deep-six something really damaging when they could have done the deed themselves? That flap followed in the wake of a Washington *Post* report that Hubbell was the subject of an internal investigation by his old firm into alleged overbilling of clients, including the RTC. Hubbell denied any wrongdoing, and was stoutly defended by Attorney General Janet Reno.

In the tangled Whitewater case, even what seemed like settled questions keep coming unsettled. In a letter filed in U.S. District Court in New York, Fiske let it be known that his investigation will also reexamine the conclusion that Foster's death last year was a suicide. He asked the court to keep the reports secret until his probe is completed. But if last week is any indication, the steady drip, drip, drip of Whitewater disclosures is likely to afflict the Clintons for months to come. —*Reported by* ***Nina Burleigh, James Carney, Julie Johnson and Suneel Ratan/Washington***



SPECIAL COUNSEL **Robert Fiske is looking into stories of shredding at the Rose Law Firm**

THE WEEK

FEBRUARY 27 - MARCH 5

NATION

A New Whitewater Torrent ... The Whitewater affair took its first high-profile Administration victim on Saturday when White House counsel Bernard Nussbaum tendered his resignation to Bill Clinton. Nussbaum was one of nine Clinton aides and Treasury Department officials upon whom the FBI served subpoenas at the behest of Whitewater special counsel Robert Fiske. Others included Harold Ickes, deputy chief of staff, and Margaret Williams, chief of staff for Hillary Rodham Clinton. The subpoenas followed damaging revelations of briefings between Treasury officials knowledgeable about a federal investigation of the Clintons' role in the Whitewater scandal and White House aides. The departure of Nussbaum, previously criticized for his involvement in the White House travel-office fiasco and the investigation into the death of deputy counsel Vincent Foster, is unlikely to appease Republicans, who have been pressing yet harder for congressional Whitewater hearings.

... And a Rose Law Firm Thorn The Rose Law Firm in Little Rock, Arkansas—where Mrs. Clinton used to ply her trade—generated more potentially embarrassing news for the President. Associate Attorney General Webster Hubbell acknowledged that the firm had questioned him about his billing practices while he was a lawyer there, but he denied any improprieties. There were also reports that documents had been taken and shredded from the files of Vincent Foster, the former Rose and White House lawyer whose suicide is under investigation. The firm denied that any Foster files were destroyed.



IN THE SPOTLIGHT: *Israeli Prime Minister Yitzhak Rabin ... amid murder and recrimination, can he keep the Middle East peace process together?*

INSIDE WASHINGTON



HUD to Settle Discrimination Suits

Housing and Urban Development head **HENRY CISNEROS,** like Department of Energy chief Hazel O'Leary, is owning up to the alleged sins of past Administrations. HUD sources say he plans to settle 17 discrimination lawsuits and to concede that for almost two decades HUD's housing projects promoted racial segregation by being built almost exclusively in low-income, minority areas. The first seven settlements will cost about $75 million; instead of receiving cash, the projects will be supplied with additional guards and washing machines.

Whitewater Issue May Prove Costly to Clinton in Congress

By MICHA[illegible]
Special to The [illegible]

WASHINGTON, March 6 — For months, Republicans have pressed the [illegible] House and Congress's Democratic majority to look into the involvement of Federal agencies in the Whitewater affair. For months, the White House and Democrats have replied with a stiff-arm.

Now Mr. Clinton is about to reap the whirlwind of that policy on Capitol Hill.

In the House, the top Republican on the Banking Committee, Representative Jim Leach of Iowa, predicts disclosures of "blockbuster proportions" about the Whitewater matter in two weeks, when the panel holds its semiannual hearing on the progress of the Federal savings-and-loan bailout.

Mood of 'Increasing Unease'

In the Senate, Republicans now promise to block approval of the new head of the Federal Deposit Insurance Corporation — and other White House nominations — until Democrats convene formal hearings on the matter.

More ominous for the White House, Congressional Democrats who have accepted the Clinton Administration's [illegible]ns of innocence, and dismissed [illegible]can protests, are suffering [illegible]rst twinges of anxiety about their own exposure.

An adviser to one prominent Democrat describes the mood among those senators as one of "increasing unease."

"This latest stuff is troubling for some people," said an aide to another Democratic senator who would probably sit in on a Whitewater inquiry. "We used to get on Ed Meese for this sort of thing, and it's a little tough to have a different standard now."

Mr. Meese was the Attorney General under President Ronald Reagan who, Democrats regularly asserted, mingled political and personal imperatives with his Federal law-enforcement duties.

Democrats had been able to safely ignore Republican questions about Whitewater because the matter is so complex and arcane as to be incomprehensible to many. But the disclosure that [illegible] Clinton's Treasury Department [illegible] secretly told Mr. Clinton's Wh[illegible]se about a Federal inquiry into Whitewater matters is all too clear, and it has robbed Mr. Clinton of his White House counsel and Congressional Democrats of their best defense.

Mr. Clinton's latest misfortunes could hardly have come at a more opportune time for the handful of Republicans who have been quietly gathering evidence in the Whitewater affair without any Congressional forum in which to present it.

Mr. Leach has been calling for months for the House Banking Committee to make at least a tentative inquiry into ties between Mr. Clinton's Whitewater Development Company and an Arkansas savings and loan association, Madison Guaranty, that was taken over by the Resolution Trust Corporation, the Federal savings and loan bailout agency.

Except for the Democratic agreement to hold an overdue and legally required hearing later this month on the progress of the bailout program, Mr. Leach says his requests have been stonewalled.

So he has sent his own banking experts to Arkansas to conduct their own inquiry. And he has accepted a stream of tips and leads from whistleblowers who, he says, are afraid to talk to reporters and Federal investigators.

'Increasingly Troubled'

As a result, Mr. Leach said in an interview last week that he was "increasingly troubled" by the pattern of conduct in the Whitewater affair and had concluded that Democrats "had more reason to try to build walls than we thought."

"There appears to be a greater pattern of activity related to savings and loans than was originally known," he said. "It's becoming increasingly doubtful in my own mind that, from a tax perspective, this was appropriately reflected.

"From an ethical perspective, arrangements appear to have been dubiously entered into."

Mr. Leach refused to elaborate, but said he planned to present more details at the March 24 hearing on the Federal bailout program unless the Administration made its own clean breast before that.

Regarded as Cautious

His words carry added weight because he is widely regarded — among both Republicans and Democrats — as one of the most cautious and least partisan lawmakers in the chamber.

Elsewhere, the ranking Republican on the House Small Business Committee, Jan Meyers of Kansas, has dispatched aides to examine financial ties between Whitewater Development and an Arkansas company accused of fraudulently obtaining Federal small business loans.

Republican aides on the House Judiciary Committee were briefed last week by Floyd Brown, whose nonprofit group, Citizens United, has made a business of investigating Mr. Clinton.

In the Senate, the heaviest Whitewater labors have been performed by Senator Alfonse M. D'Amato of New York, the chief Republican on the Banking Committee, and Lauch Faircloth, a first-term Republican from North Carolina who sits on the same panel.

It was Mr. D'Amato who began pressing the Whitewater issue in the banking panel months ago. He was shunned by the committee's Democrats and Mr. Clinton's Treasury Department, too.

In retrospect, one Democratic Senate aide said last week, that was a mistake. Then Democrats made another mistake: they attacked Mr. D'Amato personally. The head of the Democratic National Committee, David Wilhelm, mocked Mr. D'Amato for raising questions of ethics, charging in a letter that the Senator had committed perjury before a Long Island grand jury 19 years ago.

Mr. D'Amato is still frothing about it, especially since his original charge of an ethical violation now appears vindicated. He has since lined up 42 of his 43 fellow Republicans — the exception is Mark Hatfield of Oregon — to block the nomination of Hillary Rodham Clinton's longtime friend, Rikki Tigert, to head the Federal Deposit Insurance Corporation.

"I don't put anything past them," Mr. D'Amato said. "It's about the whole pattern, the whole manner in which this thing has been operated. Eventually you have to say something smells rotten in Little Rock."

Mr. Clinton has accused the Republicans of acting in a "blatant, bald and totally political way" in calling for Whitewater hearings. For their part, Republicans insist they are driven more by a legislative duty to uphold Government integrity than by brazen politics. If anyone is playing politics, they charge, it is the Democrats who control Congress.

Indeed, the same House banking committee that refuses to examine Whitewater held long hearings in 1990 into a bankrupt Colorado savings and loan whose directors included one of President Bush's sons, Neil.

Senate leaders have scoffed at the need for hearings in the past. But privately, an aide said on Friday that the leadership was now debating whether to hold a limited hearing on the independence of the Resolution Trust Corporation, if only to silence Republicans whose charges of stonewalling are beginning to ring a bit truer.

"We're going to be mired in this until we do what they want," that aide said.

Continued on Page B6, Column 6

Republicans get ready to fight the President in Congress.

Looking for White Knight To Do the Same Old Thing

By GWEN IFILL
Special to The New York Times

WASHINGTON, March 6 — Enter the knight.

The routine is beginning to weary even the most loyal and hardened members of Bill Clinton's White House staff.

Whether the problem is disclosures about secret meetings, conflicts of interest or the precipitous dumping of high-profile Cabinet nominees, the prescription is always the same: Acknowledge that "mistakes were made," assert that they will never be made again and then recruit someone with a clean slate to change the subject and fix the process.

It is just such a knight that White House officials are once again searching for as they seek a replacement for Bernard W. Nussbaum, the White House counsel who resigned under pressure over the weekend.

Seeing a Double Standard

Administration officials have acknowledged that they will have to look beyond Bill and Hillary Clinton's tight circle of lawyer friends if they hope to repair damaged credibility. Mr. Nussbaum's replacement will have to be "someone who is not a friend of anybody working there now," Senator Daniel Patrick Moynihan advised pointedly today on the CBS News program, "Face the Nation."

But Administration officials chafe at what they see as a double standard. President Bush, they note, would have been unable to function without the friends with whom he surrounded himself.

And White House officials considering the choice are also keenly aware that searching for a savior in yet another new face will address only part of the problem.

> A long-term penchant for pinch-hitters.

"We probably have gotten too reliant on providing a quick fix so we can move on," one senior Administration official said this weekend. "It's a device to stop a story, but I don't think that internally we ever thought this was going to stop all the problems."

More than a year after Mr. Clinton took office, the White House still lacks a single, strong figure outside of the First Family and Vice President Al Gore, and the President's top advisers devote much of their time to addressing immediate problems while others are developing.

Troubleshooters Everywhere

As a result, the list of professional troubleshooters at the White House reads like a roster of the entire top echelon of Mr. Clinton's staff.

But high-seas rescues have helped the Clinton White House before, even if the storms quickly returned. In his turbulent first six months on Pennsylvania Avenue, Mr. Clinton recruited David R. Gergen, the adviser to Republican Presidents who was credited with having a keen eye for damage control.

When the Administration began to lose its grip again over its health care plan and 1994 party politics, Mr. Clinton went outside once again to Harold M. Ickes, the New York lawyer who had worked for Mr. Clinton during the transition.

On a less dramatic scale, the White House has also repositioned itself at the Cabinet and staff levels by bringing in outsiders like Janet Reno to rescue the Justice Department after a tortured search. Thomas F. McLarty 3d, the chief of staff, also served that function after he was presented as the official who would sort out tangled lines of command after the fiasco of the dismissal of the staff of the White House travel office.

Vacuum in New Crisis

But Mr. Gergen has become less visible, Mr. Ickes was one of six White House officials subpoenaed on Friday about the handling of a Federal investigation into the Clintons' finances, Ms. Reno has sparred with the White House and Mr. McLarty has never emerged as the fixer officials said he would be.

Mr. McLarty, who functions more like a chief operating officer than the chief executive he was at the natural gas company, Arkla, has never been the power center that his predecessors were.

He has Mr. Clinton's trust and is regarded with respect by the other officials who work with him. But he is no John H. Sununu, who was so tough that it lost him his job as George Bush's chief of staff. And he is no James A. Baker 3d, who manipulated the press and worked the levers of power so deftly in Washington that he was able to protect his own interests as well as the President's.

Mr. Gergen, the most celebrated knight in the kingdom, initially did essential repair work involving the White House, Congress and members of the Washington press corps, but he has played only an occasional role in carving out a Whitewater defense. Significantly, it was Mr. Ickes and not Mr. Gergen who was involved in the talks with Treasury Department officials that propelled Robert B. Fiske Jr., the special counsel investigating Whitewater, to issue subpoenaes on Friday.

Since Mr. Ickes arrived, Mr. Gergen's role has been scaled back on domestic issues like health care and personal matters like Whitewater, and he has spent considerable time acting as the President's communications adviser on foreign policy matters.

Optimism in Some Quarters

George Stephanopoulos, a senior Presidential adviser, has made it his stock in trade to scuttle back and forth among the issues of the day. "We're getting barraged every day both from the Hill and press," he said. "It's tough to do that and do your work."

And Bruce R. Lindsey, the President's confidante who served as personnel chief during Mr. Clinton's first year in office, serves a narrowly defined role as defender of the Clintons' integrity and as a sort of advance man in search of the political potholes that might catch the President off guard when he travels. He was also subpoenaed last week.

But with all the weekend about the problems with the President's staff, one official who was not subpoenaed but also did not want to be identified, noted that a second tier of White House officials still spends nearly full time on issues like health care, crime and welfare reform.

"Sometimes the wheel comes off the wagon here or a box comes off the back there," the official said. "Meanwhile, the wagon keeps moving forward. And Clinton's on the wagon."

Day of TV Defense for Administration on Whitewater

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 6 — Vice President Al Gore offered a vigorous defense of President Clinton today, but acknowledged that "mistakes have been made" in the handling of an inquiry into an Arkansas land deal and that the White House must approach the case from now on with "hypersensitivity."

To underscore that commitment, senior Administration officials said Mr. Clinton would move within days to replace Bernard W. Nussbaum, the White House counsel who is stepping down over the matter, with a successor with Washington experience and a background that is beyond reproach.

A leading candidate is Charles F. C. Ruff, a former United States Attorney here who was most recently considered for the job of Deputy Attorney General. One Administration official said the White House was already "very far down the road" in talking with Mr. Ruff about the post.

Mr. Gore's defense of the Administration comes after a week in which Mr. Nussbaum and five other senior White House officials received subpoenas to testify about their contacts with Federal regulators investigating a failed Arkansas savings and loan whose owner was a partner with Mr. Clinton and his wife, Hillary, in the land venture. The subpoenas were issued by Robert B. Fiske Jr., the special counsel investigating the Clintons' involvement in the land venture, the Whitewater Development Company, and the savings and loan, Madison Guaranty.

Today, on the NBC program "Meet the Press," Mr. Gore blamed Republican opportunism for the growing prominence of a case in which he said there was no evidence of wrongdoing.

But the Vice President and other senior officials who appeared on television news programs to defend Mr. Clinton acknowledged that his political problems had been compounded by the poor judgment shown by his staff. With the President facing criticism for relying too heavily on a narrow circle of aides, George Stephanopoulos, a senior adviser to Mr. Clinton, said on the ABC program "This Week" that a "heavyweight" would be installed as the new White House lawyer.

Seeking Experience

If it is not Mr. Ruff, other officials said, the White House chief of staff, Thomas F. McLarty 3d, was hoping to persuade someone else who had weathered the storms of previous Administrations to take up the post.

"Here, the individual is the message," a senior White House official said. "It will be someone who has unquestioned integrity, unquestioned legal skills, unquestioned Washington experience, and commands authority and respect."

Mr. Ruff would not comment today on whether he was a candidate for the job, which does not require Senate confirmation. The White House has passed him over three times for appointments that would require confirmation by the Senate, including Attorney General, in part because he has acknowledged having failed to pay Social Security taxes for a household employee.

Asked about Mr. Ruff in an interview tonight on CNN, Mr. McLarty praised him as "a person of distinction" but refused to say whether he was being considered for the job.

With the White House still reeling after last week's disclosure of unorthodox contacts between Clinton aides and Treasury Department officials prompted the string of subpoenas and forced Mr. Nussbaum's resignation, senior officials nevertheless described a sense of urgency tonight about settling on a successor.

Mr. Nussbaum took part in all three meetings at which he and other White House officials were given information about the status of a confidential inquiry by the Resolution Trust Fund, the agency overseeing the Federal bailout of the savings and loan industry, into Madison Guaranty.

On the Defensive

Administration officials said they hoped that the choice of a new White House counsel would add a positive note to what has been a string of bad news about the Fiske inquiry. But as Republicans continued their criticism today, the officials said they recognized that there would be need for more defenses like those mounted by Mr. Gore, Mr. Stephanopoulos and Mr. McLarty.

> Officials promise new sensitivity on a sensitive matter.

On "This Week," Senator Phil Gramm, the Texas Republican who is considering a bid for the White House in 1996, called on Mr. Clinton to "begin leveling with the American people." He said Mr. Clinton was "getting deeper in a hole" that threatens his Presidency.

But when asked about the inquiry being conducted by Mr. Fiske, Mr. Gore repeatedly called for "perspective."

"Every bit of information has been given over," the Vice President said. He President called for the appointment of a special counsel. The President voluntarily gave the documents to the special counsel. Everything's that's been asked for is being given."

While saying there was "still no credible allegation of wrongdoing by anyone in the Administration," Mr. Gore acknowledged that "mistakes have been made" in the White House's handling of the matter, including by those who took part in the meetings.

That passive way of admitting fault echoes the roundabout constructions favored by past Administrations, as well as the White House's own admission last summer that it had mishandled the dismissals of employees in the White House travel office.

But from now on, Mr. Gore pledged this morning: "There will be hypersensitivity to every new step involved here so that there will not only be no conflict, but no appearance of conflict."

The six White House officials and four Treasury officials who received subpoenas last Friday must all report to Federal District Court here on Thursday to provide testimony sought by Mr. Fiske.

Because the White House itself also received a subpoena for documents related to those contacts, every official there must through Monday abide by an edict that prohibits wastebaskets from being emptied and computer files from being purged until their contents can be scrutinized to determine if they must be handed over to Mr. Fiske.

In addition to Mr. Nussbaum, the White House officials compelled to appear at the courthouse are Harold M. Ickes, the deputy chief of staff; Bruce Lindsey, a senior adviser to Mr. Clinton; Mark D. Gearan, the communications director; Maggie Williams, Mrs. Clinton's chief of staff, and Lisa Caputo, her press secretary, all of whom were named in news accounts as having taken part in at least one of the meetings with the Treasury officials.



Associated Press

Vice President Al Gore defending President Clinton on the NBC program "Meet the Press."

To complicate the matter further, Mr. McLarty acknowledged on CNN today that one of the three sessions had been arranged by his office and that he had known about it in advance.

In seeking a replacement for Mr. Nussbaum, White House officials acknowledged today that their constraints were not just self-imposed. In a television interview, Senator Daniel Patrick Moynihan, the New York Democrat, said it was important that Mr. Clinton choose as his counsel "someone who is not a friend of anybody working there now, but is a friend of the institution of the Presidency and will be a good attorney for the President."

Essay

WILLIAM SAFIRE

No Client Privilege

WASHINGTON

I called Bernard Nussbaum last Wednesday to find out whether he had hired a lawyer for himself, he had not. Further poking-about revealed that no White House aides had yet been asked about their cozy consultation with "investigators," nor had a warning been issued about destroying notes of the improper meeting.

The barb here about that laxity, made puissant by The Washington Post's stunning revelation of two similar abuses of White House influence, helped get the non-independent counsel off his duff.

Mr. Nussbaum seemed a lonely man last week; it turns out he was in the midst of a four-day White House freeze-out, which ended in a 90-minute Presidential session Friday night. He must have argued to Mr. Clinton that the recent meeting that precipitated the firestorm was the handiwork of a blundering "damage control" aide, not the White House counsel.

But Nussbaum had attended without objection; taken with previous episodes of zealous protection of the President, it made him the first to be cast off the sled.

A confession: I like the scrappy Bernie Nussbaum and admire his loyalty. He is neither an evil genius nor a political *shmegegge*. But his feisty resignation blasting "those who do not understand ... the role and obligations of a lawyer" shows how the aide called "the President's lawyer" thinks that is what he is.

He is not. The White House counsel is supposed to advise the President on official, governmental matters only — not on any personal action taken before or after his inauguration. Deputy counsel Vincent Foster, before his apparent suicide, was ignoring that restriction in protecting the Whitewater file; Mr. Nussbaum then continued that protection by secretly sending the personally embarrassing file to the Clintons' private attorney.

A precedent on "privilege": A generation ago, Nixon counsel James St. Clair called acting Attorney General Laurence Silberman to complain about the special prosecutor's call of another attorney helping Nixon, Fred Buzhardt, to appear before a grand jury. What about attorney-client privilege? Silberman, now a Federal appellate judge, advised there was no such privilege: Buzhardt worked for the government, not for Nixon personally. Astonished, St. Clair said "Then that applies to me." Which it did.

The White House counsel's only real "client" is the people; no government official can claim attorney-client privilege in consulting him. But on official matters, he and the President sometimes claim confidentiality through a modern notion of "executive privilege." That may be why Nussbaum — with the Clintons' interests at heart — fought the impulse of uninformed White House spin doctors to make him the scapegoat.

Why does he want to remain until April 5? Not for the stated "orderly transition," which his deputy could handle, or to stay on the public payroll, which costs the successful corporate lawyer $150,000 a month. Perhaps he lingers to maintain a semblance of executive privilege before a grand jury, which will diminish after he is set adrift.

Three days from now, that grand jury will watch an ill-prepared prosecutor examine a parade of meeting participants. Having moved too slowly last week, Robert Fiske is moving too hastily this week, putting on a dramatic show of prosecutorial muscle, letting us in the media jerk his chain. (Free the "Clinton 10"!)

Clinton's aides must tell all.

He should first interview all the participants and their aides, basing specific questions on subpoenaed notes, calendars and computer records. He would discover how best to obtain sworn testimony from seekers or disclosers of investigative data, as well as any participation by potential targets in selecting Fiske as their investigator.

In this fair and systematic way, grand jury testimony could be taken to reconstruct meetings with the Clintons — as, for example, in the period just after the Foster death and before Nussbaum's turnover of the 27 pieces of a note. (Ink your thumbs and tear a single page four times; I get 32 pieces and thumbprints all over.) Did Hillary know Foster kept the Whitewater file?

To defend themselves, the President and First Lady cannot turn with privileged confidence to the replacement White House counsel. The Clintons, with no personal fortune, are entitled to private support from a legal-defense fund. Start one now. □

Gore Asserts 'Fire Wall' on Whitewater

Republicans Accused Of Exploiting Issues

By Ann Devroy
Washington Post Staff Writer

Top White House officials, including Vice President Gore, yesterday asserted that the White House has built a "fire wall" to guard against further "mistakes" in the handling of the Whitewater issue.

Gore and White House senior adviser George Stephanopoulos accused Republicans of exploiting the Whitewater issues that involve investment by the Clintons in the Whitewater Development Corp., an Ozarks real estate development firm, and its ties to an Arkansas savings and loan association that failed.

But Sen. Phil Gramm (R-Tex.) and others said President Clinton was "digging himself into a hole" because senior White House staff members were briefed on Whitewater issues by Treasury Department officials investigating the Madison Guaranty Savings & Loan failure and because departing White House counsel Bernard Nussbaum involved himself in the probes.

Gore, appearing on NBC's "Meet the Press," said memos issued last week to the White House staff banning discussions with outside agencies on the Whitewater and Madison matters have built a "fire wall, preventing any kind of contact on this matter between people in the White House and people who are conducting the investigation. We will have the highest ethical standards in this White House."

Gore admitted the White House had made mistakes in allowing, on three occasions, senior officials to be

PRESIDENT, From A1

briefed by Treasury Department officials on the status of the Resolution Trust Corp. investigation into the failure of Madison. The RTC in October asked the Justice Department to pursue a criminal investigation of the Madison failure and named the President and Hillary Rodham Clinton as possible beneficiaries of illegal Madison practices. The Clintons were not cited for any wrongdoing.

The nine White House and Treasury officials involved in the three discussions were subpoenaed Friday by Robert B. Fiske Jr., the Whitewater special counsel, and were ordered to produce all their records and memos on the meetings at a grand jury proceeding this Thursday. In part because of his role in all three meetings, Nussbaum was forced to resign Saturday and will leave April 5.

Gore and Stephanopoulos said yesterday Republicans were pushing the issue to harm Clinton's public standing. "There is an enormous amount of partisanship" in the issue, Gore said. "What would you do if you were in the opposition and you saw an opportunity to make a dent in this growing popularity [of the president]?" he asked.

Stephanopoulos told ABC's "This Week With David Brinkley," "The Republicans can't run on the economy. They can't run on health care. They can't run on welfare, and they can't run on crime. So they're going to try to exploit this issue." But he acknowledged, "We shouldn't help them by making mistakes. That's our fault."

The three meetings, he said, "should not have happened even though, as I have said, we don't believe anything unethical occurred" in those sessions. White House Chief of Staff Thomas F. "Mack" McLarty made the same case on CNN's "Late Edition."

McLarty acknowledged that he had arranged one of the meetings but had not attended it. That session was one in which Deputy Treasury Secretary Roger C. Altman last month briefed the deputy chief of staff, Harold Ickes; the First Lady's chief of staff, Margaret Williams; and Nussbaum on the RTC procedures for handling civil cases growing out of Madison's collapse.

McLarty said the meeting was not improper and had not alarmed him because it was "purely informational" in that its subject was information already provided to Congress and others. But in retrospect, he said the session should not have been held. Altman, who serves as acting head of the RTC because of the absence of a politically appointed head, has said the session showed "bad judgment" on his part.

Gramm, also appearing on the Brinkley show, said Clinton's trouble with Whitewater is "getting worse . . . when you start getting in a position where it looks like you're covering things up. . . . When you start interfering with investigations, that can quickly become obstruction of justice."

Gramm called on Clinton to "make all this information public, answer all the questions and whatever dirty linen's there. It will look better now than it's going to look a month from now." If Clinton "continues to have White House counsel interfere in investigations and officials of regulatory agencies over to brief staff . . . that can quickly become obstruction of justice."

If the president "wants to serve his term out, he's going to have to begin by leveling with the American people," he said.

Sen. Alfonse M. D'Amato (R-N.Y.) issued statements Saturday and yesterday saying Clinton's presidency is in danger because of the conduct of his aides. D'Amato and 42 other Republican senators have called for congressional hearings on the three sessions, but the Democrats have given little sign of relenting on what would be a forum for attacking the Clinton team.

House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), whose committee oversees the Treasury Department, was asked yesterday on the Brinkley show if he would hold hearings on Treasury officials' roles in the three meetings. He replied that if Treasury Secretary Lloyd Bentsen calls him or if "I call him . . . and there's a discussion, we'll take a look at it."

Administration officials have said publicly that hearings are up to the Democratic leadership in Congress, and Stephanopoulos repeated that yesterday. Another official said yesterday that because Fiske has subpoenaed documents and officials involved in the meetings, it would be difficult for them to testify before congressional hearings.

Hillary To the Pillory!

Kind Words Come to an End As Media Zero In on First Lady

By Howard Kurtz
Washington Post Staff Writer

In her first year as First Lady, Hillary Rodham Clinton was described in the press as "feminism's first mainstream icon" (New York Times), "replacing Madonna as our leading cult figure" (Washington Post) and "arguably the most important woman in the world" (Vanity Fair).

She appeared on the cover of Time, Newsweek, U.S. News & World Report, the New York Times Magazine, the Los Angeles Times Magazine, People, Vogue, Mirabella, Parade, TV Guide, Redbook, Family Circle and Good Housekeeping, often with such uplifting headlines as "Saint Hillary" or "Ascent of a Woman."

But the glowing reviews have come to an end. The first major crack in the facade appeared last week, when U.S. News columnist Michael Barone wrote a sharply critical piece about Clinton with the headline: "Is she a political liability?"

Barone skewered the First Lady for helping to push an immensely complicated health care plan with little chance of passing Congress. "On issue after issue, she has shown startlingly bad judgment," he wrote. Barone also faulted Clinton's actions in several aspects of the Whitewater affair, saying: "Any one of these items would have been enough to sink a Reagan or Bush appointee."

There are other leading indicators that Clinton's stock may be falling. Maureen Dowd said in yesterday's New York Times that Clinton is "enmeshed in embarrassing ethical questions." Wall Street Journal columnist Albert Hunt, writing about Whitewater, declared last week that "the bunker mentality at the White House is a reflection of Hillary Clinton." And a recent Arizona Republic cartoon

See CLINTON, C3, Col. 1

The Honeymoon Ends

CLINTON, From C1

pictured "Hillary Rodham Harding" in a leotard, surrounded by bat-wielding thugs, with the caption: "She's tough. She's mean. She conspired with her husband and friends to cripple the competition."

To be sure, Clinton has been a lightning rod for conservative attacks ever since the 1992 campaign spawned talk of a co-presidency. But the mainstream press grew increasingly infatuated with her after the inauguration. There were long essays on her quest for a spiritual "politics of meaning," features on her White House dinner menus and kudos for her health care testimony before Congress.

Barone says the press has gone easy on Clinton because of the traditional reluctance to criticize the president's wife.

"I think many journalists feel a stake in Hillary Rodham Clinton's success as a woman taking a lead role on major public affairs issues," he said. "Many journalists are strong believers in feminism. . . . I'm just trying to hold her to the same standard as other people in public life."

> *"Something inside you roots for her. You're rooting for your team. I try to get that bias out, but for many of us it's there."*
>
> —Time columnist Margaret Carlson

Fred Barnes, the New Republic's White House correspondent, said that "there was a kind of political correctness that applied to writing about her. The pieces were adoring: She was a wonderful mother, one of America's 100 best lawyers, politically shrewd. She had no flaws, except maybe in her choice of husbands.

"If you criticized her in a panel discussion, you always got zinged. You were just a man whose masculinity was threatened by a powerful woman. Any criticism was discredited as being gender-driven."

Even reporters who defend Clinton say she has been judged by a different standard. "She hasn't been taken on personally," said Time columnist Margaret Carlson. "Some men reporters may still treat her like a girl. It's condescending."

Just before Christmas, Clinton was again cast in the role of wronged wife, denouncing renewed allegations of Arkansas philandering by her husband. But the spotlight has turned harsh since then, with her much-touted health plan sinking in the polls and the Whitewater probe raising questions about her conduct at Little Rock's Rose Law Firm.

"Whitewater has chipped away at her moral armor, and the failure of the health care plan has chipped away at her political armor," Barnes said.

Eleanor Clift, Newsweek's White House correspondent, maintains that much of the earlier praise was justified. "She did dazzle people with her intelligence and her willingness to go up to the largely male culture of Capitol Hill," Clift said. "But she is identified with some of the negatives of this administration, some fairly inept appointments and the problems of the Rose Law Firm."

Some female reporters acknowledge that they want Clinton to succeed. "As much as we try to think otherwise, when you're covering someone like yourself, and your position in life is insecure, she's your mascot," Carlson said. "Something inside you roots for her. You're rooting for your team. I try to get that bias out, but for many of us it's there."

Katha Pollitt, a writer for the Nation, believes that much of what is written about Clinton either feeds a "dragon lady" caricature or is rather trivial.

"It's part of celebrity journalism," she said. "If the First Lady is interested in the politics of meaning, we all have to pretend to be interested in the politics of meaning for five minutes. Then we can admit we all think it's stupid."

Clinton, for her part, has carefully parceled out interviews to selected reporters and publications, sometimes insisting on written questions or specific ground rules. In January, she agreed to a U.S. News interview on condition that it be limited to health care and children's issues and that her picture not be used on the cover. The editors refused. "It was clear that her main purpose was to avoid being portrayed as co-president," the magazine said.

The First Lady has been trying to soften her chilly public image. She did a Vogue photo shoot with Annie Leibovitz in an off-the-shoulder Donna Karan dress. She flew to the Winter Olympics and chatted with David Letterman's mother on CBS. She had coffee last week with four New York gossip columnists, the second such session in three months.

"The First Lady looked stunning in a black wool suit with black suede high heels," wrote Newsday's Liz Smith. "She was wearing a goodly but tasteful assortment of gold jewelry—she looked young and vital . . . just as if she were 'one of the girls.' "

Asked why Clinton would spend two hours with the group, Smith said: "Maybe it's an attempt to co-opt us by charming us, which she certainly did. Or maybe she's just trying to have a little fun."

Little Change A1

Despite Clinton's Vow To Reform the Capital, It's Business as Usual

A Series of Ethical Lapses Diverts the White House And Mr. Nussbaum Quits

A Tough Place to Operate

By JEFFREY H. BIRNBAUM
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Bill Clinton came to the nation's capital vowing to end the city's notorious laxity in ethical standards. Instead, as the latest Whitewater disclosures show, his administration often has reverted to business as usual.

The latest example is Bernard Nussbaum, who resigned over the weekend as White House counsel and who was supposed to be the administration's ethical watchdog. Although he defended his actions as proper, Mr. Nussbaum took part in a series of meetings that recall President Nixon's widely condemned meddling into the workings of independent federal agencies. With Mr. Nussbaum present, White House aides met three times with top officials of the Treasury Department and the Resolution Trust Corp. about the agencies' investigations into a failed Arkansas thrift. The Madison Guaranty Savings & Loan was once owned by President Clinton and Hillary Rodham Clinton's partner in the Whitewater real-estate venture.

How could this have happened? How did these Democrats, who came of age in the post-Watergate era and who were so critical of the ethical lapses of recent Republican administrations, get caught acting like their predecessors?

A Trying Week for Clinton

Facing one of his most trying weeks in office, President Clinton must send 10 administration officials before a federal grand jury and find a replacement for the Whitewater affair's first casualty, White House counsel Bernard Nussbaum. The president must also deal with the announcement that the Senate majority leader, George Mitchell, plans to retire. Articles on pages A3 and A16.

Part of the answer may be that operating in Washington is tougher these days. Ever since Watergate, the media has gotten more aggressive about exposing – and the public appears less willing to tolerate – a range of perceived ethical slips. "Mr. Nussbaum is the victim of the scandal machine in which the combined currents of law enforcement, politics and the press create a Bermuda Triangle though which only the most sophisticated legal sailors in the ways of Washington can navigate," says Robert Bennett, a seasoned criminal-defense lawyer who practices in the Washington office of Skadden, Arps, Slate, Meagher & Flom.

Out of Plumb

Yet, it doesn't take a highly refined sense of ethics to see that something has gone badly askew, and not only in the Whitewater case:

- According to participants, administration officials have been treating the Democratic Party's biggest campaign givers to regular, high-level briefings both in Washington and in warm-weather vacation spots. Despite the president's rhetoric over the need to reform campaign financing, Mr. Clinton himself continues to raise millions of dollars for Democrats.
- The revolving door continues to turn, despite Mr. Clinton's pledges to jam it. Late last year, Deputy Chief of Staff Roy Neel, an architect of the administration's plans for an information superhighway, resigned to become a highly paid lobbyist for the telecommunications industry.
- Mr. Clinton hired into the top levels of his administration many of the types of lobbyists he vilified during the campaign. Both of his top legislative chiefs, Howard Paster and his successor Patrick Griffin, were high-priced lobbyists before coming to the White House. (Mr. Paster is now chairman of Hill & Knowlton Inc., a public-relations and lobbying firm.)
- A raft of outsider cronies of the president and first lady has been given special access to the White House. Former Arkansas Rep. Beryl Anthony and former Clinton aide Betsey Wright became corporate lobbyists who got their way more than once. Television producer Harry Thomason got a temporary White House office, and was instrumental in dismissing the White House travel staff.
- The handling of the travel office firings was another example of ill-advised interference in law-enforcement matters. The White House counsel's office contacted the Federal Bureau of Investigation directly to seek an investigation of allegations of wrongdoing by the travel staff and sat in on the preparation of an FBI news release about the matter – drawing a rebuke from Attorney General Janet Reno.

A Party of Loyalists

While he billed himself as an outsider, Mr. Clinton arrived at the White House with sterling connections to establishment Washington and soon began hiring the city's best-known lawyers and lobbyists. Mr. Nussbaum, a New York attorney, was one of the few who came from outside the Washington/Arkansas axis. Some say this loyal band of advisers – many of whom have known Mr. and Mrs. Clinton since their days as activists against the Vietnam War – lacks the independence to alert the Clintons to the need for higher ethical standards.

Moreover, the shared assumption of

Continued From First Page

those who populate the Clinton White House seems to be that because they all view themselves as "good people," the public shouldn't question their motives. Some critics see this as a kind of baby-boomer arrogance that has made Clinton officials too quickly dismissive of ethics questions.

At the same time, Mr. Clinton and his Arkansas crew come from a much more freewheeling and forgiving environment. The Whitewater case alone makes clear that the worlds of business and politics overlap more often and more casually back home than is the custom in buttoned-down Washington. Mr. Clinton's highly personal style also plays a role. The officials with the most clout are the ones who are closest to the president and his wife.

From the White House perspective, this breeds strong loyalty. The downside is that many of the loyalists seem to have a blind spot for the public interest. Indeed, the kind of cronyism that drew controversy to the White House under Presidents Carter and Reagan is cropping up again.

Take the case of Webster Hubbell, one of the president's closest friends who also is the third-ranking official at the Justice Department: The former Little Rock lawyer didn't think it was necessary to disclose to the White House that his own firm was probing whether he overbilled the federal government he now works for. The White House, which is filled with Mr. Hubbell's hometown chums – and at least two of his former law partners, including Mrs. Clinton – believes it doesn't need to do anything more than take Mr. Hubbell's word that he is innocent, even now that the inquiry has been made public.

More broadly, Mr. Clinton hasn't poured much of his energy into fulfilling one of his key campaign pledges: to overhaul the campaign-finance system and to increase lobbying disclosure. During the presidential election in 1992, he could hardly stop talking about "the stranglehold" that special interests had on the government, and how he would work to loosen it. But things haven't changed much since Mr. Clinton came to town.

Putting on the Squeeze

While professing interest in changing the system, President Clinton and his top officials have been working to squeeze what they can out of the present one. The Democratic National Committee maintains a vigorous schedule of briefings by Clinton and party officials around town for major money givers, according to people who have taken part in the events.

In late February, the DNC held a weekend retreat for contributors at the Boca Raton Resort & Club in Florida. In attendance were Vice President Al Gore, Commerce Secretary Ronald Brown, House Majority Leader Richard Gephardt and Rep. Sam Gejdenson of Connecticut, a primary author of the House's campaign-finance overhaul bill.

Last April, big campaign contributors to the DNC were treated to speeches at the Madison Hotel in Washington by top Clinton officials ranging from White House Chief of Staff Thomas McLarty to national economic adviser Robert Rubin, participants say. The night was capped when each giver had his photograph taken with Mr. Gore.

Referring to the Republicans' mirror program for major contributors, Raymond McGrath, president of the Beer Institute and a former GOP congressman, says, "It's generally the same kind of thing." As a lobbyist now, Mr. McGrath is a member of both the Republican and Democratic big-giver groups. "It's important to portray ourselves as bipartisan," he says.

Senate Majority Leader George Mitchell, who announced on Friday that he wouldn't seek re-election, strenuously dismisses the notion that he is quitting because of disgust with Washington. But his retirement announcement, which wasn't anticipated, has inevitably fed the impression that life inside-the-beltway has become so brutish that even its most battle-scarred veterans are getting out. Among other issues, Mr. Mitchell – a supporter of Mr. Clinton's legislative agenda – has been a tireless fighter for stringent campaign-finance overhaul, only to see his bill to help end the money chase become mired in congressional gridlock.

Getting Subpoenaed

Even the man Mr. Clinton has put in charge of controlling the damage from the investigations into the Clintons' political and business dealings in Arkansas, Deputy Chief of Staff Harold Ickes, just last year lobbied for the Puerto Rican government to save a billion-dollar tax break that Mr. Clinton had wanted to curtail. Ironically, Mr. Ickes is now caught up in the White

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House's embarrassment; he is one of the six senior White House officials who have been subpoenaed to appear before a grand jury empaneled by the special counsel, Robert Fiske. One of the others is Mr. Nussbaum, who, in a resignation letter sent to the president Saturday, defended his performance and criticized "those who do not understand, nor wish to understand the role and obligations of a lawyer." His resignation is effective April 5.

A separate subpoena requires the White House to produce documents on any meetings, conversations or contacts between any White House staffers and officials of the Treasury or the RTC.

Nothing has surpassed the Whitewater controversy in underscoring that this White House is repeating some of history's bleakest chapters. In the wake of last summer's apparent suicide of Mr. Nussbaum's deputy, Vincent Foster, the White House counsel was accused by the Park Police of impeding their investigation. First, Mr. Nussbaum failed to seal Mr. Foster's office. Then, he wouldn't permit the police investigators to look through any of Mr. Foster's papers. He also failed to turn up a suicide note that was later found in Mr. Foster's briefcase. The White House belatedly turned the note over to investigators.



Bernard Nussbaum

A basic rule of political damage control in Washington is to err on the side of candor, especially where documents are concerned. But Mr. Nussbaum violated this rule again and again, first when he advised the Clintons to assert attorney/client privilege over the Whitewater file found in Mr. Foster's office, then when he helped arrange for the Justice Department to subpoena the file to keep it away from reporters who had filed Freedom of Information Act requests.

Other missteps that sank the White House deeper into the Whitewater swamp were Mr. Nussbaum's and Mrs. Clinton's opposition to the appointment of a special counsel to investigate the matter and the three meetings with Treasury and RTC officials which presaged the White House counsel's downfall.

A major test of whether the White House intends to really press for change will be its choice to replace Mr. Nussbaum. On NBC-TV's "Meet the Press" yesterday, Mr. Gore agreed that the choice was important and said he expected it to cause people to say, "Yeah, that's a really good pick." White House insiders expect whoever is chosen will have integrity and independence — and considerable experience in Washington.

The Outlook

As Food Prices Rise, 1994 Crops Hold Key

CHICAGO

Food prices are stirring after a three-year slumber. Only bumper crops on America's farms this year can keep them from rising higher — and potentially pulling inflation up a bit, too.

Prices for a grocery cart of items, from breakfast cereal to bagels to mayonnaise, have already jumped this winter. Bakers are paying more for flour and cooking oil. Some economists expect food inflation this year to be between 3.3% and 3.5% — up from 2.2% in 1993 and 1.2% in 1992. That would be the first time in about four years that food prices exceeded the general inflation rate, which is expected to run about 3.0%.

Last year's rain-related crop disaster in the Midwest is primarily to blame for the rising prices. The February price of corn, the nation's No. 1 crop, was the highest in a decade. Prices of high-protein wheat, soybeans and sorghum all posted double-digit percentage increases from a year ago.

U.S. stockpiles of corn and soybeans are shriveling to their lowest levels since the 1970s, and much of the wheat cache is poor-quality stuff. At this rate, the U.S., the world's biggest grain exporter, might even have to import crops such as corn in order to meet demand until this year's harvests.

Bountiful crops then would keep grocery prices from jumping higher in 1995. But don't hold your breath. This has been a hard winter, and much of the Farm Belt hasn't dried out from last year's torrential rain and record flooding. The soil in Midwest states already is saturated, and the months just tend to get wetter during this time of year. Even normal spring rains will trigger worse-than-usual flooding and turn fields into quagmires. "We already know there will be problems," says S. Elwynn Taylor, a climatologist at Iowa State University.

With more than a month to go until planting season, the conventional wisdom is that grain production will rebound. Yields in the Midwest do have a track record of recovering nicely the year after a crop disaster. Strapped farmers currently have an incentive to plant every acre they can; corn prices are up 30% from last year and soybeans are up 16%. An anxious Agriculture Department also is allowing farmers to plant more land involved in government programs.

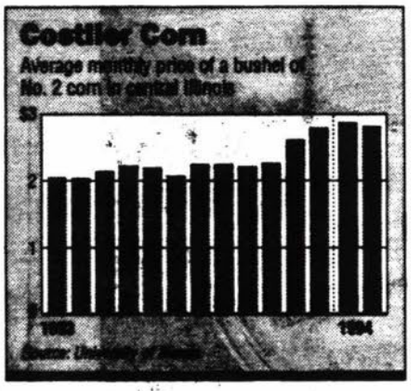
In Heron Lake, Minn., Robert Ferguson intends to plant the most corn he ever has: 700 acres. Last year, his soggy farm eked out just 15% of a normal crop. Mr. Ferguson, who had crop insurance, barely broke even. "A lot of guys need a good crop this year," he says.

The early line at the Chicago Board of Trade is this: U.S. corn farmers have about 80 million acres to plant. Plug in the normally anticipated yield and out comes a bin-buster of 8.8 billion bushels, up 39% from last year's drenched crop. That would be enough to meet projected demand of roughly eight billion bushels and leave enough to rebuild a comfortable stockpile. And that, combined with the record soybean harvest under way in South America and the Chinese corn flooding world markets, would lull food inflation back to sleep.

But history offers little guide to yields this year. The crop disasters from which the Midwest recovered so quickly in the past were usually droughts, which do much less damage to the soil. Excessive rains are rare. Last year's deluge drowned beneficial soil microbes and washed away nutrients. Grain prices rallied long after the rains eased last year because traders were slow to grasp the extent of the damage.

Commodity traders say anything less than ideal harvests will cause problems fast. "There is zero safety margin this year," says Joe Victor, of Allendale Inc., a Crystal Lake, Ill., commodity brokerage firm. That means crop prices could careen wildly in the coming months on any signs of good weather and bad.

If the crop estimates slip, here's what to look for: An 8.4-billion-bushel corn crop



would signal a 4% food inflation rate in 1995, figures John M. Urbanchuk, of AUS Consultants, a forecasting firm outside Philadelphia. If it is less than eight billion bushels, stockpiles wouldn't refill and the food inflation rate would probably hit 5% by late 1995, says Donald Ratajczak, an economist at Georgia State University. (Consumers spend about $600 billion annually on food, and though the farm represents roughly 10 cents of the retail cost of a box of corn flakes, for example, the spectacle of a crop disaster is making it easier for food companies to raise their prices.)

A 7.5-billion-bushel corn crop would push prices to a stratospheric $4 a bushel, some economists estimate, from about $2.84 in central Illinois Friday. Such a surge would strangle exports as well as make hogs and cattle too expensive for many farmers to feed, eventually driving up meat prices.

"Things are so tight that tiny changes can cause big swings," says Paul Prentice, president of Farm Sector Economics Inc., of Colorado Springs, Colo. "The risk," he says, echoing others, "is on the upside."

—SCOTT KILMAN

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As Whitewater Inquiry Grows Broader, Clinton Seeks New White House Counsel

By Bruce Ingersoll
And Ellen Joan Pollock
Staff Reporters of The Wall Street Journal

WASHINGTON – President Clinton, facing one of his most trying weeks in office, must send 10 administration officials before a federal grand jury and find a replacement for the Whitewater affair's first casualty, White House counsel Bernard Nussbaum.

Moreover, Republicans plan to call witnesses before congressional committees to testify about the tangled Whitewater affair. Prominent House and Senate Democrats privately predicted that the hearings they once opposed are all but inevitable.

Mr. Nussbaum agreed to resign in the face of mounting criticism over his contacts with federal officials who are investigating the Clintons' Whitewater Development Co. partnership with the owner of a failed Arkansas savings and loan. Mr. Nussbaum's departure came after Special Counsel Robert Fiske greatly expanded the scope of his independent Whitewater investigation to include the meetings between White House aides and Treasury Department officials.

With the officials subpoenaed to appear Thursday before a grand jury, the focus of Mr. Fiske's inquiry shifts from the first couple's past dealings with their Whitewater partner, James McDougal, to the conduct of senior administration officials seemingly bent on Whitewater-related damage control.

For the White House to restore an aura of normality, a successor to Mr. Nussbaum, who leaves April 5, must be found quickly. White House officials have begun sounding out candidates in search of a savvy, politically seasoned Washington lawyer, ideally in the mold of Lloyd Cutler, President Carter's counsel.

They want somebody who would defend the president's interests aggressively, without overlooking political and ethical appearances. White House insiders are furious with Mr. Nussbaum for failing to keep such considerations in mind – in his zeal to protect the Clintons from Whitewater's undertow.

Leading candidates include Harry McPherson, a leading light in Washington's Democratic legal establishment who served as counsel to President Lyndon Johnson; Charles Ruff, another prominent Washington lawyer who was considered for the deputy attorney general post; and Charles Renfrew, a former federal judge who served in the Carter Justice Department.

Vice President Al Gore, appearing on NBC News' "Meet the Press," gave no indication of who the next White House counsel would be. He dismissed suggestions that the Clinton presidency is imperiled by Whitewater, asserting, "There's a difference in the way the controversy is viewed in Washington and the way it's viewed in the country." Moreover, Mr. Gore said he sees no "credible" evidence of any wrongdoing on the part of Mr. Nussbaum and others. "I don't think it was handled in the best way," he said, but "I believe very strongly nothing wrong was done."

Republican lawmakers, nevertheless, are certain to dig deeper into the Whitewater controversy at their first opportunity. House Speaker Thomas Foley (D., Wash.) has privately advised Democratic committee chairmen that under House rules, they must let the Republicans call their own witnesses. The Democratic leadership expects the Whitewater matter to be raised at future hearings before the House Banking Committee, and possibly the Small Business Committee.

Rep. James Leach of Iowa, the ranking Republican on the House banking panel, said in an interview that he and his GOP colleagues plan to call "quite a number of witnesses" for a full day this month. The committee will hold oversight hearings on the performance of Resolution Trust Corp., the thrift cleanup agency that conducted the initial inquiry into Madison Guaranty Savings & Loan, a failed thrift once owned by Mr. McDougal. A similar hearing was held recently by the Senate banking panel.

It's quite conceivable that some of the subpoenaed officials also will be summoned to Capitol Hill. Besides Mr. Nussbaum, those receiving subpoeanas to testify before the grand jury were Deputy Chief of Staff Harold Ickes; Hillary Rodham Clinton's chief of staff, Margaret Williams; White House Communications Director Mark Gearan; senior adviser Bruce Lindsey; Lisa Caputo, Mrs. Clinton's press secretary; Deputy Treasury Secretary Roger Altman, and three of his current or former senior aides.

Another subpoena requires the White House to produce all documents or memos on any meetings, conversations or contacts between any White House staff members and officials of the Treasury or of the Resolution Trust Corp. White House staff members were reminded by memo that they could be charged with obstruction of justice if they destroyed any pertinent material.

In his resignation letter, Mr. Nussbaum staunchly defended his performance and derided his critics as "those who do not understand, nor wish to understand, the role and obligations of a lawyer."

But several prominent lawyers, including former White House counsels, said Mr. Nussbaum appears to have misunderstood a fundamental aspect of his job – that his client wasn't Bill Clinton, but the presidency.

"It is an institutional representation," said Arthur Culvahouse, White House counsel during the Reagan years. "You do not represent the president in his individual capacity. You represent the office of the presidency."

Mr. Nussbaum was present at three White House meetings with Treasury officials. At sessions last Sept. 29 and Oct. 14, Treasury General Counsel Jean Hanson and other Treasury officials briefed White House officials on possible RTC criminal referrals against Madison.

The RTC's eventual request for a Justice Department investigation referred to the Clintons as possible beneficiaries of suspected wrongdoing at the thrift. The matter is now part of the investigation of Mr. Fiske, the special counsel. Mr. Nussbaum's critics said the meetings created the appearance of improper White House meddling in law enforcement and regulatory matters, and President Clinton disavowed them.

Over the weekend, New York Sen. Alfonse D'Amato, the ranking Republican on the Senate Banking Committee, wrote to Mr. Altman, asking why Ms. Hanson didn't disclose her participation in the two meetings last fall, when the subject of such meetings came up at a Feb. 24 Senate hearing.

Ms. Hanson was present at that hearing. But when Mr. Altman was asked about any meetings with the White House involving Madison, he cited only a meeting early in February, at which Ms. Hanson was also present.

A Treasury spokesman yesterday said that Mr. Altman "replied honestly" during the hearing, and that he hadn't then known of last fall's meetings. Ms. Hanson couldn't be reached for comment.

Mr. Nussbaum never seemed to understand that the legal tactics that won him so many admirers during his career as a New York litigator didn't play well in the political arena. Except for brief stints investigating Watergate for the House Judiciary Committee – where he forged a close friendship with Hillary Rodham Clinton – and as an assistant U.S. attorney, Mr. Nussbaum has spent his entire career at the Manhattan law firm of Wachtell, Lipton, Rosen & Katz, where he may return next month and where he had commanded a salary of $1.8 million.

In some of his controversial actions – including limiting Park Police access to Mr. Foster's office; removing a Whitewater file in Mr. Foster's office and giving it to the Clintons' private attorney; opposing the appointment of a special counsel to investigate Whitewater; and participating in the three meetings – Mr. Nussbaum said he was simply doing the job of a zealous lawyer.

In New York, lawyers agreed and reacted angrily to his problems. "He's being sacrificed here and it's really wrong," said Elkan Abramowitz, a friend of Mr. Nussbaum and a well-known criminal lawyer who recently represented Woody Allen. "I haven't talked to a lawyer who thinks they would have done anything differently."

But in Washington, where one duty of the counsel is to protect the White House from political embarrassment, Mr. Nussbaum's actions contributed to an appearance that the Clinton White House was covering up, or stonewalling.

In a related matter, RTC billing records show that Webster Hubbell, a high-ranking Justice Department official, had billed the government more than $37,000 on a case involving Madison Guaranty, while he was a partner in the Rose Law Firm in Little Rock. The case is the focus of conflict-of-interest investigations by the Federal Deposit Insurance Corp. and the RTC.

Mr. Hubbell headed the FDIC-RTC case, which involves an FDIC lawsuit against Frost & Co., Madison's former accounting firm, for a "defective" audit that failed to detect that Madison was insolvent. The suit was later taken over by the RTC, which was formed in August 1989. Mr. Hubbell was among a number of Rose lawyers working on the case.

A recent RTC report said that Rose didn't disclose that in previously representing Madison, it had used the Frost audit to support a bid for Arkansas Securities Department approval for issuing stock and acting as a broker. The RTC has asked its inspector general to investigate the Rose firm's dealings with the government, including billings.

The Hubbell billings shown by the RTC documents cover periods in 1989-1991, including $22,525 for 180 hours during August 1990. That included a 20-day stretch when Mr. Hubbell billed the FDIC for every day, including weekends. Other billings included $7,972 in early 1991 and $3,019 in late 1990.

–Albert R. Karr contributed to this article.

THE WALL STREET JOURNAL MONDAY, MARCH 7, 1994

accruing profits today that in the real world will be realized only over many years.

5. Just exactly how, where, for how long and against what are we hedged?

"Don't worry, we are hedging the risk" should not be considered an acceptable answer to the question of how a company is making offsetting provisions for the specific risks it incurs. All hedges are not created equal, and it is important to understand exactly what interest-rate risk, volatility risk, etc. is being hedged, and how the hedge is being implemented. Even within a particular type of risk, such as interest-rate risk, it may not be possible to hedge more than a portion of the yield curve, and the durations of risks and available hedges may not match.

6. How much does our compensation system encourage perverse behavior?

Awarding bonuses solely on the basis of "accrued" profits without regard to the amount of the firm's capital put at risk, or how long the company will be at risk before profit is actually realized, may encourage undue risk-taking.

7. How effective are our controls?

When companies lose large sums through unauthorized trading or speculation, it often occurs due to the actions of senior personnel. Junior personnel in a treasurer's office may not feel comfortable calling the CEO if their own boss takes abnormally large or risky positions. Therefore, written risk limits, automated exception reporting, strong internal auditing and other steps are vital to make sure that risk-control policies are always followed.

8. Who is responsible for making sure we know what we're doing?

Both the CEO and the members of the board share direct responsibility for overseeing the company's internal financial controls. Where large exposures are being incurred in derivatives, the board (or at least the audit committee) should look hard at all the issues discussed above.

Terrific Products

Members of the board may not know how to create or trade derivatives, but they should know how to ask the right questions and to demand the right answers. Used with care, derivatives are terrific products that can enhance profitability and reduce volatility. Used in a wild or uncontrolled manner, they can be a one-way ticket to financial disaster.

The board and senior managers shouldn't wait for regulators to make sure their company is following a well-controlled and prudent path.

Mr. Breeden, former chairman of the SEC, is chairman of the Financial Services Group of Coopers & Lybrand.

Scandal and the Presidency

By Elliott Abrams

There comes a moment in any major Washington scandal when the ordinary rules of the game are suspended, and new "scandal rules" begin to apply. This week that moment was reached in the Whitewater affair.

The ordinary rules of Washington political life are somewhat lax. Officials can give heads-ups briefings to the White House about matters of political interest and are thought of as "team players."

In congressional testimony officials can bob and weave, and this is considered to be normal partisan or inter-branch combat. Information is shared with political allies and withheld from enemies. Such behavior is viewed as normal, even laudable. Officials act this way not only because they seek recognition and reward from the president and his team but because they believe in what they're doing. They seek to help and protect the president, to advance his agenda, and to benefit their own careers—all at once.

This pattern of conduct is simply stopped when "scandal rules" come into effect. All of a sudden, every action is subject to potential review not under political, but under judicial, standards. The normal briefings given to White House lawyers or political operators are now dissected on page one of the newspapers. Political opponents talk of conspiracy and demand resignations.

Testimony, speeches and press conferences are judged not by the broad and familiar standards of political exchange, but by whether the official told the "truth, the whole truth, and nothing but the truth." Officials who delighted at seeing their names in the newspaper, who indeed schemed to reach that goal, now wince as they unwrap the paper or turn on CNN.

Charges of coverup are heard and are often unfair. The problem, all too often, is time lag: Officials who do not realize that scandal rules are in effect continue to act under the old rules, which allow a certain amount of concealment of mistakes. Some will pay with their jobs; others may pay an even higher price.

For an official even remotely connected to the events or the people under investigation, the moment of recognition—when it becomes clear that a major scandal has been declared by the press—is a sad one. Henceforth, the official must reconsider every action he or she takes in the context of the courtroom. The imaginary interlocutor is no longer the White House political aide demanding to know why some action was not taken, but the independent prosecutor demanding to know why it was.

Now the demands of political and personal loyalty must be given lower priority, those of self-preservation a higher one. The official must contemplate hiring a lawyer, and paying for one out of a family budget that all of a sudden seems to be falling apart. He or she must consider trying to avoid people who were being cultivated just a few days ago, and must wonder how this government service—once seen as a ticket to the stars—will affect future employment possibilities. The effect on morale is obvious.

This is how the "scandal rules" affect the individual official. For the administration as a whole, the consequences are equally grave. When this conglomeration of officials begins to see some among its small and cohesive group as doomed, and some as dangerous, cohesion frays. The ability to take risks to advance the president's agenda declines precipitously. The assumption of future cooperation and success disappears. This turns a president into a lame duck overnight.

The time available to plan and implement effective administration action, always in short supply, is cut back because so much effort is diverted to handling the scandal. And above all, it's impossible for the administration to recover a sense of sure-footedness and confidence in its overall conduct. The application of new "scandal rules" that are both unfamiliar and somewhat indeterminate makes the administration tentative where it once would have been decisive, and present-oriented where it once would have been planning for future battles—and triumphs.

Thus the invocation of "scandal rules" this week permanently marks the Clinton administration, and not until Independent Counsel Robert Fiske closes his doors, years hence, will things ever return to normal. When cocktail party conversations turn to which famous criminal lawyer is representing whom, and who has been before the grand jury, the spirit of politics with which the new team came to Washington—of fun and excitement, of doing good and doing well—is gone forever.

Mr. Abrams, assistant secretary of state for Inter-American affairs in the Reagan administration, was convicted of withholding information from Congress in the Iran-Contra affair. President Bush subsequently pardoned him.

First couple finds the bog won't clear



By Charles Bennett

FIRST LADY: Played bigger role in development.

By Bill Nichols
USA TODAY

A1

The so-called Whitewater affair, the White House has said for months, would not erupt into a full-blown crisis.

Not only did the first family do nothing wrong, the logic went, but the events happened more than 10 years ago — and are utterly incomprehensible to most of the public.

But a dramatic weekend of developments — including the subpoena of six White House officials and resignation of White House counsel Bernard Nussbaum — has turned Whitewater from a backwoods tale of Arkansas monkey business into a more ominous and understandable drama involving the possibility the White House obstructed justice.

Growing impression of 'something amiss'

Continued from 1A

Senior administration officials went on the defense Sunday: "We will have the highest ethical standards in this White House. You can be assured of that," Vice President Gore said on NBC's *Meet The Press*.

But as President Clinton returned from a weekend at Camp David, it would seem that the best his administration can hope for is to be accused of an almost inconceivable lack of judgment — or, some would say, a lack of competence.

The White House, a *Washington Post* editorial lamented Sunday, has been guilty of "improprieties that a child of four could have figured out."

Congressional hearings seem much more likely in the wake of the White House subpoenas — and the four issued to current and former Treasury Department officials.

"This was a uniquely untelegenic story ... that people didn't really understand," said political analyst Charles Cook. "All of a sudden, the vision of FBI agents showing up at the White House delivering subpoenas can't help but leave the impression that something was amiss."

The latest in the mazelike tangle of financial dealings known as Whitewater — really the investigation into the Clintons' relationship with a failed Arkansas savings and loan:

▶ The subpoenas — served on staffers including Nussbaum, senior Clinton adviser Bruce Lindsey and Maggie Williams, chief of staff for Hillary Rodham Clinton — were delivered Friday on behalf of Whitewater special counsel Robert Fiske.

Fiske, in an unmistakable sign that he means business, wants information about three briefings for White House aides on the probe into Madison Guaranty Savings & Loan and its relationship to the Clintons' part-ownership of the Whitewater Development Corp.

▶ Saturday, after a death watch of several days, Nussbaum bitterly resigned under fire.

Though enormously popular personally among the White House staff, Nussbaum had become a lightning rod for an array of White House snafus — including reportedly hindering the search of deputy counsel Vincent Foster's office after Foster committed suicide last July.

▶ More on Whitewater investigation, 6A

But Nussbaum's participation in the meetings between administration and Treasury officials made his exit a must. Of particular concern: one last year in which Nussbaum reportedly was told the Clintons were named, but not accused of wrongdoing, by the Resolution Trust Corp.

▶ A growing focus on Hillary Clinton's role in Whitewater and how staff concerns about attacks on her ethics and image may have led to errors of judgment.

It is Hillary Clinton, by all accounts, who took the more active role in the Whitewater development and who reportedly fought the naming of a special counsel until the end.

Charges of shredding of Whitewater-related documents by the first lady's former law firm, the Rose firm in Little Rock, are now part of Fiske's probe, as is the death of Foster, another former Rose partner.

And it was Hillary Clinton who was Nussbaum's true White House patron, her friendship with the former Wall Street lawyer cemented by their service together on the House Watergate panel 20 years ago.

Some critics say Hillary Clinton's efforts to protect herself are hurting the administration. "You've given a cartoon image of the White House which is just inaccurate," countered Gore. "President Clinton is in charge in a way that no president's been in charge ... for a long, long time."

Nussbaum's departure begins yet another White House damage control effort — one in which, as senior adviser George Stephanopoulos said on ABC Sunday, "We have to bend over backwards ... to avoid even the appearance of any conflict, even the appearance of any impropriety."

Even if the argument prevails that the White House-Treasury meetings were dumb but innocent, and Thursday's scheduled grand jury appearances proceed without further bombshells, the Clinton team still must scramble to keep Whitewater from overwhelming them.

Observers say Nussbaum's replacement, likely to be named this week, must not be a longtime Clinton friend and must have a seasoned objectivity and a realization that Fiske has to be allowed to do his job.

Likewise, they say, no one in the White House must do anything to even remotely seem to hinder Fiske. That process already has begun: Staffers were warned that White House burn bags, computer mail and waste baskets must not be trashed.

Finally, both Clintons must make clear that neither received improper information from the meetings.

So far, aides have been far from definitive on that point. Said Gore, when asked if President Clinton was briefed: "I've seen no indication of that. I'm not aware that he was."

Asked if Hillary Clinton was briefed, chief of staff Thomas "Mack" McLarty said on CNN: "I don't believe she was; she may have been. ... I simply don't know that."

If it turns out either Clinton was given any kind of improper "heads-up" on their status in the RTC investigation, Fiske may want their testimony too — voluntarily or involuntarily.

The events of the past few days made clear to the White House that Fiske takes his duties and independence seriously, and there is some nervousness on what that portends.

It is also unclear how this will affect public sentiment toward the Whitewater matter. Polls in recent months have shown that the few people who know what Whitewater is aren't very concerned about it.

White House subpoenas could change that. Even in Arkansas, among Clinton defenders, there's a growing uneasiness there may be something here after all.

"We've tended to dismiss the reports as partisan political attacks," said Max Brantley, editor of the weekly *Arkansas Times*. "As time passes and the issue doesn't go away, people are fearful that they're going to have to eat their words."

Contributing: Adam Nagourney

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Is Senate's loss baseball's gain?

By Hal Bodley
USA TODAY

A1

TAMPA — Senate Majority Leader George Mitchell could be on deck to fill baseball's vacant commissioner's post.

But both the Maine Democrat, who said Friday he will not seek re-election this year, and interim commissioner Bud Selig insisted there is no deal.

Baseball has been without a commissioner since Fay Vincent was forced to resign in September 1992.

Mitchell, an avid Boston Red Sox fan, said Saturday he "would consider" the post.

But the former judge is also said to be interested in serving on the Supreme Court.

"I've made no final decision on the future," he said in announcing his retirement.

Selig said Sunday there is no hidden agenda at work.

But he did speak with Mitchell Sunday and was among a few friends called by the senator before his announcement.

"I have a tremendous amount of respect for Sen. Mitchell," said Selig. "We speak frequently about a variety of subjects."

Mitchell was not interviewed by a baseball search committee. Its work finished in January with Northwestern University president Arnold Weber and U.S. Olympic Committee executive director Harvey Schiller the two finalists.

But it was decided that Selig, Milwaukee Brewers president, should continue in his role until a new agreement with the players' union is reached.

▶ Scramble under way, 4A
▶ Job his for the asking? 6C

MONDAY, MARCH 7, 1994 • USA TODAY

China gets tough on dissidents

By Juan J. Walte
USA TODAY

A1

A Chinese crackdown on dissidents has clouded U.S.-Chinese relations as Secretary of State Warren Christopher continues a week-long Asia trip that includes a stop in Beijing.

On Friday, Wei Jingsheng — the country's most famous dissident — was arrested after he met with U.S. human rights policy chief John Shattuck.

Wei, who spent 14 years in prison, was released Saturday.

But Sunday, police arrested Zhai Weimin, a leader of 1989's pro-democracy movement in Tiananmen Square.

Seven other dissidents reportedly have been jailed since Wednesday.

The arrests set a sour tone and dampened prospects that Christopher's Beijing talks will result in a breakthrough on human rights.

Calling the arrest "objectionable and unjust," State Department spokesman Michael McCurry said that while Washington is "gratified" at Wei's quick release, "Secretary Christopher will vigorously pursue that (human rights) dialogue" with China's leaders.

Christopher's arrival in Tokyo Wednesday comes against the backdrop of increased tensions over trade with Japan.

Christopher is in Australia today. His final stop is Vladivostok to meet Russian Foreign Minister Andrei Kozyrev. Their main topic: Bosnia.

Legal tab already started

By Adam Nagourney
USA TODAY

A1

White House officials under subpoena began hiring lawyers last weekend, hoping fees won't go beyond a one-time court appearance.

Although officials refused to discuss the question, at least two of those subpoenaed in the Whitewater affair — senior adviser Bruce Lindsey and communications director Mark Gearan — told colleagues they had hired lawyers.

The 1978 Ethics in Government Act, the recently lapsed law that created independent counsels, allowed those not indicted to be repaid for legal fees.

But Whitewater has started talk of reviving the law.

President Clinton and Hillary Rodham Clinton are represented by Washington lawyer David Kendall; he is paid out of personal funds.

Aides go to court over Whitewater

By Bill Nichols
USA TODAY

A1

Six senior White House officials are to appear in court this week as headaches from the Clintons' involvement in an Arkansas land deal mount.

The six were subpoenaed Friday by special counsel Robert Fiske, who is investigating the financial dealings involving the Clintons, a land investment known as Whitewater and a failed Arkansas S&L.

Among the six: White House counsel Bernard Nussbaum, who resigned Saturday.

Sunday, meanwhile, White House officials started damage control, admitting that mistakes in the handling of Whitewater have been made, but citing Republican attacks.

"The Republicans can't run on the economy. They can't run on health care. ... So they're going to try to exploit this," George Stephanopoulos, President Clinton's senior adviser, said on ABC's *This Week With David Brinkley*.

But Sen. Phil Gramm, R-Texas, told Brinkley that "if the president wants to serve this term out, he's going to have to begin by leveling with the American people." Latest:

▶ The six White House aides, as well as four current and former Treasury Department officials, are to appear in court on Thursday.

The six aides: Nussbaum; senior adviser Bruce Lindsey; deputy chief of staff Harold Ickes; communications director Mark Gearan; and Maggie Williams and Lisa Caputo, Hillary Rodham Clinton's chief of staff and spokeswoman.

▶ Rep. Dan Rostenkowski, D-Ill., said Sunday he would "take a look" at hearings by the Ways and Means Committee if the Treasury Department asks.

▶ The Associated Press reported the Clintons deducted from personal income taxes more than $1,400 in Whitewater-related property taxes; two business associates say the couple was reimbursed.

▶ Nussbaum's troubles, 6A

Snow melt may strain flood areas

By Maria Puente
USA TODAY

A1

Towns across the Midwest and Northeast flood plains are nervously watching their rivers, fearful that high temperatures and heavy snow melt will bring a repeat of last year's devastating floods.

"We're just waiting and watching," says Mayor Jeff Heland of Burlington, Iowa, where the Mississippi River flooded parts of downtown last year — including the basement communications room of the police department.

The National Weather Service says areas hit by last summer's floods — some still rebuilding — have an above average chance of flooding.

But the service says the odds are against floods as bad as last year's unless there are unusually heavy spring rains.

"It's definitely a concern," says J. Ronald Fischer, city manager of Cape Girardeau, Mo., one of dozens of towns along the Mississippi River to suffer flood damage in 1993.

"The temperatures have been 60 to 70 degrees, the soil is saturated and the river still isn't back to ordinary levels. Just last week it was a foot from minimum flood stage."

The Army Corps of Engineers reports that 17 million sandbags have been warehoused in the Midwest.

In Des Moines, where the Des Moines and Snake Rivers breeched levees last year, officials will spend $20 million on repairs and enhancements.

"The National Weather Service tells us the potential for a repeat of '93 is very low because there's not much snow left," says city manager Cy Carney, "but we're prepared."

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Nussbaum odyssey: Watergate to Whitewater

By John Hanchette
Gannett News Service

WASHINGTON — The polite exchange of letters Saturday between President Clinton and his resigning chief counsel Bernard Nussbaum merely hinted the ballooning Whitewater affair was at the bottom of the top lawyer's departure.

But White House watchers know there are plenty of reasons the tough-as-nails lawyer quit besides the mysterious land deal in the Ozarks, now the subject of subpoenas served on key Clinton administration figures.

Nussbaum was controversial at the White House right from his early 199[redacted]

[redacted]t days, Clinton pointedly pas[redacted] repeated chances to defend Nussbaum from charges of meddling in federal probes of the Whitewater venture and its ties to a savings and loan run by friends of the Clintons.

"Your friendship and advice have meant a great deal to me," Clinton wrote Nussbaum in accepting his resignation. He noted the role Nussbaum played in helping select Attorney General Janet Reno, FBI director Louis Freeh, and Supreme Court justice Ruth Bader Ginsberg.

He added, "You gave this administration one of its liveliest spirits and keenest minds."

He might well have added: "and biggest headaches."

For Clinton was angered, aides say, over revelations Nussbaum met privately last fall and winter with Treasury officials to hash over the federal inquiry into the failed Madison Guaranty Savings & Loan.

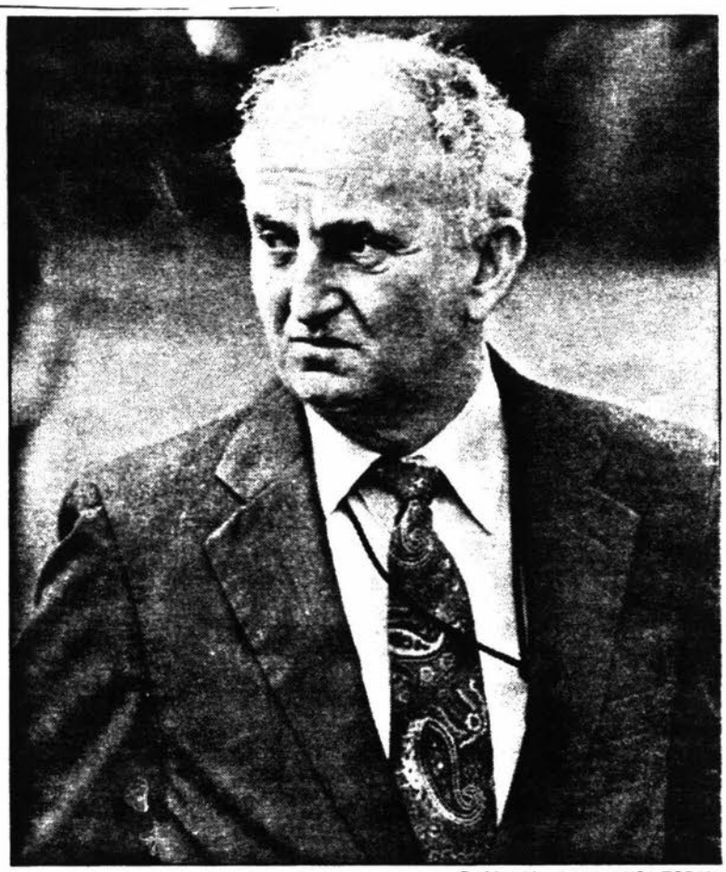
Se[redacted] White House aides have gro[redacted]out the intransigence of Nus[redacted] in fighting the appointment of a special counsel who could clear the Clinton name.

The criticism has included Nussbaum's involvement in:

▶ The sporadic search for an attorney general as two candidates failed because Nussbaum apparently shrugged off the fact they hadn't paid taxes on their nannies.

▶ The failed nomination of Lani Guinier to the Justice Department's top civil rights job when Clinton was not briefed on her controversial writings about minority representation.

▶ The firing — later reversed — of the White House travel staff, to replace them with a Clinton relative and to open the White House air charter business to a firm partly owned by Clinton friends.



By Matt Mendelsohn, USA TODAY

OUT: White House chief counsel Bernard Nussbaum resigned Saturday amid a furor over administration contacts with Whitewater investigators.



USA TODAY

NIXON: Nussbaum played secret tapes

But Nussbaum's eventual departure began with his removal of Whitewater papers from the office of his deputy, Vincent Foster — after Foster's apparent suicide July 20 but before police and FBI agents were allowed in his office.

Nussbaum's departure resounds with irony — his resignation Saturday came 20 years to the day the House Judiciary Committee instructed its lawyers to obtain Watergate tapes and documents from President Richard Nixon. That panel's senior staff lawyer: Nussbaum.

And Nussbaum's aide was a promising young lawyer from Yale named Hillary Rodham — now the first lady and a key character in the burgeoning drama of Whitewater.

"I now believe I can best serve you by returning to private life," Nussbaum wrote Clinton.

"He served the president loyally and faithfully, and I'm not going to criticize him," senior advisor George Stephanopoulos said on ABC's *This Week with David Brinkley*.

As for a replacement, Vice President Gore said on NBC's *Meet the Press*, "There is no leading candidate ... as of yet. I would expect you'd see movement ... pretty quickly."

Nussbaum, a millionaire who turns 57 in two weeks, was an influential Wall Street lawyer — making $1.8 million the year before he joined the White House.

He owns a Park Avenue apartment, a home in Scarsdale, a condo in Puerto Rico, and a New York Giants Stadium skybox.

A Columbia and Harvard Law graduate, Nussbaum probably enjoyed his personal zenith of favorable publicity in 1990, when he saved the venerable Manhattan law firm of Kaye, Scholer, Fierman, Hays and Handler.

The firm had its assets frozen by the federal government, which was seeking $275 million in fines and penalties for its questionable representation of convicted savings and loan felon Charles Keating.

Nussbaum negotiated the fines down to $41 million — $25 million of it covered by insurance. The win led him to ignore media criticism.

"The judgment I look to is not the judgment of *The New York Times*, but the judgment of history," he told Gannett News Service last summer. "I will continue to serve as long as the president believes I am performing well for him."

Last summer, Nussbaum recalled that in 1974 he saw a president "destroyed by his own paranoia, and by assistants who fed that paranoia rather than resist it. That's a strong memory. I am the lawyer for a totally different kind of president."

Nixon's White House counsel, John Dean, ultimately provided the key evidence and testimony that his boss tried to cover up White House involvement in the 1972 burglary at Democratic headquarters in the Watergate apartments.

For a full week in 1974, Nussbaum sat by Dean's side, switching a tape machine on and off so Dean could interpret the whispered, convoluted instructions on Nixon's notorious Oval Office recordings.



By Joe Marquette, AP

GORE: 'No leading candidate as of yet' to replace Nussbaum

▶ **Dissecting the crisis, 1A**
▶ **Editorial, 12A**

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Behind Whitewater, and what's ahead

Here is a look at some of the ethical and legal questions raised in the Whitewater land deal investigation, which led to the resignation of White House counsel Bernard Nussbaum:

▶ **Whitewater.** The Whitewater controversy's roots go back to [illegible] when Bill and Hillary Clinton became partners with James McDougal in a 230-acre parcel of land in north Arkansas. McDougal later owned Madison S&L, which went broke and cost taxpayers more than $47 million. Questions about the Whitewater investment led to a broader probe of the ethics of the Clintons and their associates.

▶ **James McDougal.** A bankruptcy trustee in Los Angeles is investigating whether McDougal improperly hid his ownership of Whitewater when he filed for bankruptcy in 1991. Also, Madison, under McDougal, may have improperly funneled money to pay off Clinton campaign debts in 1985. Arkansas judge David Hale, indicted for defrauding the Small Business Administration, claims Clinton pressured him to make an SBA-backed loan to a company owned by McDougal's wife, Susan.



Democrat-Gazette

McDOUGAL

▶ **Handling of investigation.** The Clintons' handling of the Whitewater matter has raised more questions, especially Nussbaum's handling of documents and meetings. Aides say President Clinton was not told about the three meetings that led to Nussbaum's resignation and learned of them from news reports.

STATUS: Clinton has promised full cooperation with special prosecutor. Hale goes on trial March 28.

[illegible]IBLE PROBLEMS: The Clintons could face civil or tax liabil[illegible]ides could lose jobs. But the most serious threat is political dam[illegible] which appears to have hurt chances for health-care reform.

VINCENT FOSTER SUICIDE



White House

FOSTER

Deputy White House counsel Vincent Foster was found dead of a bullet wound to the head in an apparent suicide on July 20, 1993. His boss, Nussbaum, searched Foster's office before U.S. Park Police did, and removed Whitewater files. Foster's Whitewater files were turned over to Clinton's private lawyer, David Kendall. In an unusual deal, Kendall negotiated terms under which those files were subpoenaed by the Justice Department.

STATUS: Special prosecutor Robert Fiske has reopened investigation into Foster's death.

POTENTIAL PROBLEMS: Fiske could challenge the suicide ruling and say Nussbaum's removal of Whitewater files had obstructed the Park Police inquiry.

WHITE HOUSE MEETINGS

[illegible]te House staffers met three times with government officials in[illegible]ing Whitewater, particularly the connection between the Clin[illegible]d the failed Madison Guaranty Savings & Loan. Republicans charge that the meetings were improper, possibly an obstruction of justice. Nussbaum attended all three meetings.

▶ **September 1993.** Treasury Department general counsel Jean Hanson tells Nussbaum the Clintons have been named in criminal referral involving Madison S&L but not accused of wrongdoing.

▶ **October 1993.** High-ranking White House and Treasury Department officials meet in Nussbaum's office to discuss the criminal referrals. White House officials include Nussbaum, communications director Mark Gearan and senior adviser Bruce Lindsey, who's handling Whitewater response. Treasury officials include the department's general counsel, chief of staff and press secretary.



AP

ALTMAN

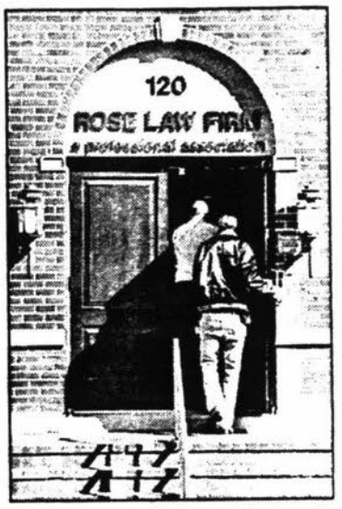
▶ **February 1994.** Deputy Treasury Secretary Roger Altman meets with Nussbaum, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff Margaret Williams. Altman is acting chief of the Resolution Trust Corp., which handles S&L bailouts. Altman says the meeting was designed to give the White House "a heads up" on RTC procedures.

STATUS: Nussbaum resigns as White House counsel, effective April 5. [illegible] withdraws from participating in Whitewater on Feb. 25, a day [illegible]evealing the meetings. White House chief of staff Thomas "[illegible]" McLarty issues memo admonishing White House staff against further meetings. Fiske expands probe to include the three meetings and subpoenas Nussbaum, Altman and others involved. Treasury and RTC inspectors general asked to investigate propriety of meetings.

POSSIBLE PROBLEMS: Fiske could conclude the meetings were an illegal effort to obstruct the Whitewater probe. The meetings also may have violated federal ethics rules.

THE ROSE LAW FIRM

▶ **Web Hubbell.** Associate Attorney General Hubbell represented federal regulators in a suit against the accountants of Madison S&L, although his father-in-law was a major borrower from Madison.



By Danny Johnston, AP

ROSE LAW FIRM

Also, the Rose Law Firm is researching whether Hubbell improperly billed some clients and charged personal expenses to the firm. The Rose Law Firm inquiry includes expenses the firm had to pay in a parking meter patent suit in which Hubbell represented his in-laws.

▶ **Shredded documents.** A courier said the Rose Law Firm recently shredded some documents that came from boxes that had Vince Foster's initials on them. Foster, Hubbell and Hillary Clinton were partners in the Rose Law Firm.

▶ **Dan Lasater.** *The Chicago Tribune* has raised questions about Hillary Clinton's role in representing federal regulators in a suit against a Clinton family friend. The regulators, on behalf of a failed Illinois S&L, sued an Arkansas securities firm owned by Dan Lasater, who was a contributor to Clinton campaigns and involved with the cocaine conviction of Clinton's brother Roger. The $3.3 million suit against Lasater was settled for $200,000.

STATUS: Fiske called the courier before a grand jury last week to testify about shredded documents. Rose Law Firm assured him no relevant documents were being destroyed. Hubbell denies all wrongdoing. Federal regulators determined the law firm hadn't violated conflict-of-interest rules in the Madison case. Fiske is reviewing the Lasater issue.

POSSIBLE PROBLEMS: Fiske could find the law firm tried to thwart his probe. Hubbell could lose his job, be censured for his Madison role and end up in a legal dispute with his old firm. Hillary Clinton could be censured for representing the government in a suit against a friend.

Written by Dennis Cauchon.

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More firms are hiring; no surge seen

By Mark Memmott
USA TODAY

WASHINGTON — Companies are hiring again.

But they are being cautious and there's no boom in sight, experts say. The past month:

▶ Chrysler said it plans to hire 3,900 workers and recall 2,100 to expand production of its Jeep Grand Cherokee.

▶ Digital Equipment said it will add 600 to 800 jobs by midsummer at a Colorado Springs factory that produces disk drives for computers.

▶ Huffy said it will open a factory in Farmington, Mo., this fall — employing 500 people to produce bicycles.

Also, Uniroyal Goodrich Tire has canceled plans to close a factory in Woodburn, Ind. The company would have laid off 800 workers.

"People are coming back to work," Labor Secretary Robert Reich says. But, he says, "we continue to have a serious long-term unemployment problem" because too many people don't have the computer or technical skills for the jobs available.

That's why the average length of time an unemployed person remains out of work — now 18.7 weeks — is near the level set during the severe 1981-82 recession.

Friday, the Labor Department said the U.S. unemployment rate fell to 6.5% in February from 6.7% in January. The department also said the number of jobs on business and government payrolls rose 217,000. That followed a 2,000-job decline in January, when severe weather hurt the labor market.

Manufacturers added 12,000 jobs last month. Service firms added 227,000. But construction employment fell 22,000.

The economy has added 1.8 million jobs the past year.

But economists say job growth won't explode because companies remain under pressure to hold down costs. Many are having employees work overtime instead of hiring. Last month, the average factory worker put in a record 4.6 hours of overtime a week.

Economist Diane Swonk at First National Bank of Chicago says the strongest growth in coming months will continue to be in services, the auto industry and producers of computers and other business equipment. She expects average monthly job gains of 150,000 to 200,000 the first half this year, 125,000 the second half. By year's end, she says, the jobless rate should be near 6%.

White House throws lawyer to the sharks

President, staff dumped Bernard Nussbaum in the name of damage control.

Man overboard.

Bernard Nussbaum was dunked into Washington's shark-infested political waters over the weekend. Loyal to the end, the White House counsel left behind a note suggesting he willingly walked the plank.

But the truth is Nussbaum was pushed overboard.

Pushed off the bridge by the wild-eyed charges coming from Republicans that the White House is covering up the president's and first lady's ties to an Arkansas savings and loan that capsized a few years ago.

Pushed into the raging currents by members of the White House staff who in the name of damage control threw Nussbaum to the sharks.

And pushed overboard by Bill Clinton, who tried to gently ease Nussbaum into the water by saying his old friend had done nothing to deserve such a fate.

The bill of particulars that led to Nussbaum's undoing is long, though hardly convincing evidence of anything other than that he took seriously the job of being the president's lawyer.

They say he insisted on being present last July when investigators interviewed White House staffers following the suicide of Vincent Foster, his deputy. He was slow in handing over a suicide note found in Foster's office. He removed files relating to the Whitewater matter from Foster's office. And that he sat in on a meeting between federal banking regulators and other White House aides who discussed ways to handle the public relations fallout generated by the Whitewater affair.

Even when taken together, this hardly sounds like cause for the political drowning Nussbaum was made to suffer.



By DeWayne Wickham, a columnist for Gannett News Service and USA TODAY.

What's wrong with the president's lawyer being present when members of the White House staff are being questioned?

Should the public really expect a lawyer to allow cops investigating an unrelated suicide to forage through a client's case file?

Over the weekend, senior presidential aide George Stephanopoulos said during an ABC News interview that everything said during the meeting Nussbaum sat in on with federal banking regulators had already been revealed to Congress and the media.

So why was Nussbaum thrown overboard?

Because Clinton and his advisers believe that after having feasted on Nussbaum, the political sharks will go away. They're wrong.

The sacrifice of Nussbaum will not satisfy the appetite of the president's enemies; it will only whet it.

And the more he throws members of his inner circle overboard for them to feed on, the more vulnerable Bill Clinton will be to their bite.

Whitewatergate

Observers note Nixonian twists

By Michael Hedges
THE WASHINGTON TIMES

A1

Subpoenas, shredded documents, special prosecutors and White House resignations: Whitewater watchers are asking one another whether they haven't heard this music before, with different lyrics. The late Nixon era, circa 1973, comes to mind.

The parallels between Whitewater and Watergate so far are superficial. Some major themes running through the two stories are likely never to converge. Few predict the affair will drive the president from office in disgrace, although two Republican senators yesterday suggested, if by implication, that possibility.

NEWS ANALYSIS

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering with the investigation," Sen. Phil Gramm of Texas told interviewers on ABC-TV. "If the president wants to serve this term out, he is going to have to begin by leveling with the American people. The pres-

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TWISTS

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ident is getting deeper in a hole."

Sen. Alfonse D'Amato of New York told the Associated Press that as a result of what he says is the administration's attempt to stonewall the investigation, the issue has the potential of being as great if not greater than Watergate. The presidency is in danger as a result of the continued conduct and the continued pattern of deception."

Pundits across the political spectrum are beginning to write and speak of Whitewater in serious terms. William Safire writes in the New York Times, "As coverups go, Whitewatergate rates a B — less clumsy than Watergate but not as effective as Iraqgate."

Albert R. Hunt writes in a column in the Wall Street Journal: "If the current performance continues . . . it's less than a long-shot bet that one or two White House aides could end up in the slammer — not for what happened in Arkansas in the 1980s, but for the way matters are being mishandled in the 1990s."

And the New York Times declared in an editorial Friday that Mr. Clinton's administration is "easily the most reckless in interfering with the integrity of federal investigative agencies since that of Richard Nixon."

More than two years elapsed between June 1972, when burglars entered the offices of the Democratic National Committee at the Watergate building on Virginia Avenue NW, hard by the Kennedy Center, and Aug. 8, 1974, when President Nixon resigned to avoid a certain impeachment by the House of Representatives and a trial by the Senate.

Questions were first raised about the Whitewater investment, and the involvement of Mr. Clinton and his wife, Hillary, early in the 1992 presidential campaign, but the controversy lay dormant until last fall, when several newspapers began looking into it again.

The story seized the capital's attention Dec. 20 when The Washington Times reported that White House Counsel Bernard Nussbaum and two Clinton political aides had entered Mr. Foster's office shortly after his body was found in Fort Marcy Park, and had stripped his files of Whitewater documents.

In an interesting coincidence, Mr. Nussbaum, who resigned Saturday after questions related to the Whitewater-Madison probe continued to linger, served as staff counsel for the House Judiciary Committee when it looked into the impeachment of Mr. Nixon in 1974. He became friends at that time with Hillary Rodham, who worked on the committee staff, and who one day took her beau from Arkansas in to meet Mr. Nussbaum.

As different as the controversies are, there are fascinating parallels:

• White House counsel resigns.

Nixon White House Counsel John Dean resigned April 30, 1973, then became a major witness for the various investigative bodies. His testimony is considered the principal element in the fall of Mr. Nixon.

Mr. Nussbaum, despite his resignation, will likely remain a principal player in the unfolding drama. His files have been subpoenaed, and he has been called before a grand jury. A police file on the Foster death contains statements about what officers considered his interference in their investigation.

• White House subpoenas.

The Nixon White House began to unravel after subpoenas for the president's records and documents were issued in spring 1973. When it later was revealed he had taped conversations in the Oval Office, they fell under the subpoenas. A bitter battle ensued and greatly weakened Mr. Nixon's power to stay in office.

The Clinton White House has said it will respond to subpoenas issued Friday by Whitewater-Madison special counsel Robert B. Fiske Jr. But some signs of resistance — similar to Nixon administration resistance that put the term "stonewalling" into the political lexicon — have been noted. The records secretly taken from Mr. Foster's office were belatedly and reluctantly turned over to the Justice Department in December.

• No-problem defense.

Nixon White House officials initially characterized Watergate as a "third-rate burglary" they knew nothing about.

The Clinton White House has characterized the Whitewater Development Corp. — a partnership of the Clintons with James B. McDougal, president of the now-defunct Madison Guaranty Savings and Loan Association, and his wife, Susan — as a cut-rate real estate venture in which the Clintons lost money. The White House says the first family lost $68,900; Mr. McDougal puts the figure at $13,500.

• The money trail.

An early lead in Watergate led reporters to Mexico to obtain the checks from the Campaign to Reelect the President to the Watergate burglars.

An early development in the Whitewater investigation was the discovery that someone other than the person named wrote a $3,000 check to help Mr. Clinton pay off a personal loan used to retire a campaign debt.

Other records that have surfaced indicate a pattern of questionable loans — all of them defaulted on — to pay off Clinton campaign debts.

• Interference with law enforcement.

The Nixon White House attempted to control the early FBI investigation of the Watergate break-in through contacts in federal law enforcement.

The Clinton White House has been accused by police and FBI agents in a sealed file on the Foster death with attempting to control U.S. Park Police and FBI probes of that death. Former FBI Director William Sessions, who left office the day before Mr. Foster died, has said the Foster probe was "compromised from the beginning" by White House interference.

• Slow press reaction.

The lack of early public reaction to Watergate was shown by the landslide 1972 re-election of Mr. Nixon, who took 61 percent of the vote more than four months after the break-in. The early response by most reporters was equally tepid, leading to the legend of Bob Woodward and Carl Bernstein of The Washington Post bringing down the presidency.

Whitewater surfaced in the national media in March 1992, but Mr. Clinton won the election eight months later. After the matter was reopened last fall, few Washington insiders immediately factored it into their view of Mr. Clinton, and most Washington reporters looked the other way.

• Shredded and missing documents.

Before the gaps were discovered in the White House tapes, Nixon officials shredded and burned documents related to the Watergate break-in. Crucial financial documents were never found.

The Rose Law Firm of Little Rock, Ark., of which Mrs. Clinton, Associate Attorney General Webster Hubbell and Mr. Foster were partners, shredded Whitewater documents in early February, The Washington Times reported Feb. 9.

The New York Times reported last week that a Rose employee has told a federal grand jury in Little Rock that the firm shredded files belonging to Mr. Foster. Officials at the Rose firm, which had dealings with Madison, insist that any shredding was unrelated to the Whitewater-Madison probe.

• Full disclosure.

Mr. Nixon insisted for months that anyone listening to the White House tapes would come to the conclusion he was innocent of any wrongdoing, but he fiercely fought to keep the tapes "privileged White House information."

Mr. Clinton has insisted that a full investigation of Whitewater will clear him of any wrongdoing, but the phrase "privileged information" has been used once more. A police officer quoted Mr. Nussbaum as using the term repeatedly when police tried to check documents in Mr. Foster's office.

• White House contradictions.

Nixon spokesman Ron Ziegler constantly revised his denials of wrongdoing, undermining his credibility.

Clinton spokeswoman Dee Dee Myers has offered changing versions of events. In December, the White House said all documents in White House possession related to the Whitewater land deal had been turned over to the Justice Department, then Miss Myers the next day said some documents hadn't been handed over.

Last week, Miss Myers first said meetings between White House officials and federal regulators who were investigating Madison were not wrong, then said the meetings did appear improper.

• Special prosecutors.

Archibald Cox became the nemesis of the Nixon White House after he was appointed in May 1973 to handle the Watergate investigation as a special prosecutor.

Mr. Fiske, who aroused the suspicions of Republicans and other critics of the Clinton White House, has made a dramatic early impression as a tough, no-nonsense prosecutor by warning the Rose Law Firm to take care of all Whitewater documents in its posession and by subpoenaing White House officials and documents.

Rose staffers say Hillary ordered papers shredded

Boxes hauled from mansion after Whitewater report

By Jerry Seper
THE WASHINGTON TIMES

A1

Couriers from the Rose Law Firm were summoned to the Arkansas governor's mansion in Little Rock during the 1992 presidential campaign by Hillary Rodham Clinton, who personally handed over records to be shredded at the firm's downtown office, three current or former Rose employees have told The Washington Times.

They gave this account:

The shredding began after the New York Times reported on March 8, 1992, the involvement of Gov. Bill Clinton and his wife in a tangled north Arkansas real estate venture known as Whitewater Development Corp.

Mrs. Clinton gave the couriers sealed, unmarked envelopes with instructions that they were to be shredded at the firm. Couriers made at least six other "mansion runs" during the campaign.

Other records from Mrs. Clinton's office at the firm, where she was a senior partner, also were shredded on the orders of other officials.

The shredding continued through the Nov. 3 general election, in which Mr. Clinton defeated President Bush.

"There were a number of runs to the mansion by several different couriers," said one former Rose employee, who asked not to be identified. "The instructions were always the same. The records were to be taken back to the firm and shredded."

The shredding, according to the current and former Rose employees interviewed by The Washington Times, was not limited to Mrs. Clinton. Records belonging to Rose firm partners Webster L. Hubbell, now associate attorney general, the third highest-ranking officer at the Justice Department; Vincent W. Foster Jr., former White House deputy counsel; and William H. Kennedy III, associate

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MONDAY, MARCH 7, 1994 The Washington Times

ROSE

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White House counsel, also were shredded.

"A lot of papers were run through the shredder, I can assure you of that," said a current employee of the firm, who requested anonymity. "A conservative estimate would be that more than a dozen boxes of documents ultimately were destroyed."

The nature of the records included in the envelopes handed over by Mrs. Clinton is not clear, nor is the content of the documents in the boxes taken from her office at the Rose Law Firm. All were to be shredded. Neither is it clear which records from the Rose firm Mrs. Clinton would have kept at the governor's mansion, which is a mile and a half from the Rose offices on East Fourth Street in Little Rock.

The Clintons' Whitewater partners, James B. McDougal and his wife, Susan, now divorced, have said they personally delivered all of the Whitewater records to the governor's mansion in December 1987 at Mrs. Clinton's request.

During the presidential campaign, the Clintons said the records had disappeared.

Federal investigators declined last November to open a criminal prosecution regarding the manipulation of funds to Whitewater through Madison Guaranty Savings and Loan Association, owned by Mr. McDougal, because documents detailing the venture could not be found.

The Resolution Trust Corp., which oversees failed S&Ls, had recommended to the Justice Department in October that it consider a prosecution based on reports that funds from Madison had been diverted to Whitewater and eventually routed to Mr. Clinton's successful 1984 gubernatorial campaign. This would have been a violation of the law.

Federal law enforcement sources said records describing such a transaction could not be located.

A confidential report submitted by prosecutors in Little Rock to the Justice Department's criminal division in Washington said the case was being shelved because of "a lack of specific evidence," said one law enforcement official familiar with the referral.

Federal inquiries continue based on nine other RTC referrals, including questions surrounding Madison's dealings in other loans and its involvement with Mr. Clinton and his successor, Gov. Jim Guy Tucker.

Ronald M. Clark, managing partner at the Rose firm, did not return calls to his office last week for comment. Mr. Clark has denied that the firm improperly destroyed any documents.

He has declined to return several telephone calls seeking comment. In a statement sent to The Washington Times via facsimile, Mr. Clark said his firm had "actively made every effort to preserve all the files" connected to the Whitewater-Madison investigation conducted by special sounsel Robert B. Fiske Jr.

Mr. Clark disputed a dispatch in the New York Times, published last week, that records belonging to Mr. Foster also had been shredded.

The newspaper said a Rose firm employee, Jeremy Hedges, testified before a federal grand jury in Little Rock that he had been ordered to destroy a box of records from Mr. Foster's files in late January. Mr. Hedges, according to the Times, told the grand jury the records were marked VWF, Mr. Foster's initials, although he did not know which specific documents were included.

The New York Times, in interviews with lawyers and former Rose firm employees, also described a shredding system in place at the firm, identifying separate trash cans for lawyers and secretaries for documents that were to be shredded daily. The lawyers and employees said the system was put in place in 1991, shortly after Mr. Clinton announced his candidacy.

Mr. Foster, whose body was found July 20 in a Virginia park in what police authorities have said was a suicide, was the Clintons' personal lawyer and handled, among other things, their Whitewater dealings. He handled the November 1992 sale of the Clintons' half-share of Whitewater to Mr. McDougal for $1,000, and discovered in December 1992 Whitewater's failure to file corporate income tax records for a three-year period.

Mr. Foster also was responsible for the creation of a blind trust for the Clintons' assets to satisfy ethical concerns about their personal business deals. The task was not completed until six months after Mr. Clinton took office — and three days before Mr. Foster's death.

A longtime Clinton friend, Mr. Foster also was a business partner with Mrs. Clinton, along with Mr. Hubbell, in an investment group and a stock partnership. The two businesses, whose records were maintained at the Rose firm, were Value Partners and Midlife Investors Inc.

In addition to the January shredding incident described last week by the New York Times, another Rose firm employee told The Washington Times last month that documents showing the Clintons' involvement in the Whitewater project had also been ordered destroyed.

That shredding incident, according to the employee, occurred Feb. 3. A Rose firm employee who reportedly took part in the shredding declined to comment but refused to say that the incident did not happen.

Mr. Fiske, assigned Jan. 20 by Attorney General Janet Reno to look into allegations of financial irregularities involving Madison and the Whitewater venture, has said he will look into the shredding allegations.

He has ordered the Rose firm not to destroy any Whitewater-Madison documents or computer tapes. FBI agents also have interviewed several Rose firm employees, and others have been called before a grand jury to comment on the shredding allegations. The interviews are continuing.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater.

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W ite F ouse bumb es into Whitewater bog

The Clinton White House can't seem to get a simple idea straight: The best way to avoid damage from a scandal — if you're innocent — is to get out of the way.

This hands-on presidency simply hasn't kept its fumbling hands off the Whitewater mess. As a result, suspicions of a cover-up rightly have risen to new levels.

First, White House aides meddled in the probe of the apparent suicide of presidential lawyer Vincent Foster, who held the Clintons' Whitewater records. At one point, they blocked FBI entry into the dead man's office. Then they delayed turning over a suicide note. Finally, they removed Whitewater files from Foster's office.

When calls began for a special prosecutor to investigate Whitewater, the Clintons vigorously opposed it, relenting only when new revelations forced their hand.

Most recently, six White House aides admitted getting briefed by Treasury officials about an investigation into the failure of Madison Savings & Loan. That thrift sits at the center of the controversy.

Finally, over the weekend, the administration reacted to all the bumbling, forcing the resignation of the president's White House lawyer, Bernard Nussbaum. His botched handling of the Foster files and the Treasury meetings made that move inevitable. And overdue.

But the issue here is much larger. The public may not understand the complex Whitewater mess — a failed and suspicious land deal in which the Clintons had an investment. But it understands the danger of cover-ups and will demand answers.

The good news is that special counsel Robert Fiske appears to be moving aggressively. In office only a few weeks, he moved quickly to subpoena the six White House aides Friday to testify in his probe. He also ordered the White House to preserve any evidence. And he did the same to Hillary Rodham Clinton's former Arkansas law firm after reports it may have shredded evidence.

Congressional Republicans are eager for more. They want Congress to hold hearings on whether the Clintons are guilty of obstructing justice. But it's too soon for that. Congress now can add nothing but partisan posturing. And if it granted immunity for testimony, it could wreck the special counsel's investigation, as it did in an investigation into the Iran-contra scandal.

Should evidence of a cover-up emerge later, Congress can still jump in.

Either way, Whitewater isn't about to go away. And for that, the Clinton White House has only itself to blame.

▶ Whitewater storm, 1A

Today's debate: HIGH-TECH EAVESDROPPING

Keep snoops off-line

OUR VIEW **Electronic eavesdropping proposal goes way beyond stated goal of catching criminals.**

Here's an idea that ought to chill your enthusiasm for the new information superhighway: The government wants to build it with bugs so agents can check what you're saying and doing.



They could monitor your calls, check how you spend your money, explore your political habits — all at the touch of a button.

Sound Orwellian? It is. It ought to be stopped.

The idea — invented by a spy agency, backed by the Clinton administration and pushed by the FBI — goes like this:

In our high-tech society, old-fashioned phone tapping is becoming obsolete. The information highway's digital technology can render calls almost unbuggable.

This makes life harder for cops and spies. So the government wants to require that public phone systems, computers and devices yet to come contain a computer chip that encrypts and stores all conversations. A code would be needed to decipher the conversations — and it would be made available only by court order.

If that sounds safe, think again: Who would hold the code? And how, once used, would it stay confidential? Bugging backers propose assorted complex schemes. But they border on laughable. Information can't be locked away like gold in Fort Knox. Once seen, it spreads uncontrollably.

Government agencies could build an electronic profile of anyone who picks up a phone or activates a computer modem. Privacy advocates say such profiles could include bill-paying records, political leanings, sexual preferences, travel itineraries. They could include intimate E-mail messages and notes dictated to an electronic personal assistant. Calls to 900 numbers would be on file forever.

The vast amount of information about every one of us now available on computers would be compounded exponentially.

The technology is designed by the National Security Agency, the spy outfit that monitors international conversations. The FBI is out front pushing it because the public is more sympathetic to the FBI's mission: catching crooks.

Crime prevention is a laudable goal. But so far, the FBI has yet to reveal a single case lost to new technology. Meanwhile, the threat to the public is vivid.

Until that balance changes, the rights of individuals clearly take precedence over government convenience.

As the government snoops come to Congress asking permission to monitor our lives, they should get a fast answer: No.

Help officers fight crime

OPPOSING VIEW **Electronic surveillance is critical to law enforcement and national security.**

Consider these nightmares:

▶ A street gang acting for foreign terrorists shoots down a crowded commercial airliner with a stolen military weapon.

▶ Two men kidnap a child and then murder him in making a "snuff" film.



By Louis J. Freeh, director of the FBI.

Then consider this:

Those crimes nearly happened but were prevented when FBI agents uncovered the plots through use of court-approved electronic surveillance — or wiretapping.

Since Congress gave federal law enforcement the authority for wiretapping 25 years ago, it has become an invaluable tool in preventing or solving the very worst crimes.

In a recent 10-year period, more than 22,000 convictions resulted from federal, state and local wiretapping.

But electronic surveillance is now threatened by "digital telephony," new telecommunications technologies containing features that will impede or prevent wiretaps.

Supported by law enforcement officials nationwide, we propose a rational, effective, responsible solution: A law requiring telecommunications firms to build into the new technology capabilities that permit law enforcement to continue to conduct electronic surveillance. And the federal government will pay their costs.

There are no privacy problems here.

Congress has allowed wiretapping for 25 years under stringent conditions: court approval and oversight are needed; wiretaps are permitted only when other investigative tools fail.

We seek no more than what the law allows with current technology. We simply want to be able to continue to conduct electronic surveillance when the complex new technology comes on line.

Without legislation, law enforcement will be crippled and national security could be endangered. The nation will be unable to protect itself against terrorism, violent crime, espionage and drug trafficking.

As FBI director, I don't want to have to tell a father and mother we were unable to save their child because we were forbidden to obtain access to criminal conversations.

I don't want to have to tell Congress we cannot obtain evidence against a deadly spy because we cannot wiretap him.

I don't want to tell the nation that we failed to prevent a disaster because we could not listen in on terrorists planning a mass bombing.

The Washington Times

Rostenkowski: Hearing on Whitewater possible ✓

By Ronald A. Taylor
THE WASHINGTON TIMES

House Ways and Means Committee Chairman Dan Rostenkowski yesterday became the first senior congressional Democrat to say he would consider holding hearings on the White House's handling of the Whitewater-Madison affair.

A decision would come after talking with Treasury Secretary Lloyd Bentsen, the Illinois Democrat said on ABC-TV's "This Week." The Ways and Means Committee has oversight authority over the Treasury Department.

"He hasn't discussed it with me," Mr. Rostenkowski said. "If I call him or he calls me and there's a discussion, we'll take a look at it." he said.

The chorus of criticism swelled yesterday as President and Mrs. Clinton's ties to a bankrupt thrift and failed land deal and the White House handling of a federal probe were compared to Watergate.

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering in the investigation," Sen. Phil Gramm, Texas Republican, said on the same ABC program.

"I think the president can solve his problem in one simple way — make all this information public, answer all the questions, and whatever dirty linen is there, it will look better now than it's going to look a month from now or a year from now," Mr. Gramm said.

"I think the president is getting deeper in a hole, and I think if the president continues to have officials of the regulatory agencies over to the White House to brief staff, if the president continues to have White House counsels interfere in investigations, that can quickly become obstruction of justice if you're not careful about it," he said, referring to the obstruction of justice allegations facing President Nixon at the time of his resignation.

Mr. Rostenkowski is the first senior member of Mr. Clinton's party to raise the prospects of a Capitol Hill inquiry into the propriety of White House aides being briefed by Treasury Department officials about the Whitewater-Madison affair. His remarks capped a weekend of damaging developments in the affair.

Special Counsel Robert B. Fiske Jr. subpoenaed six White House officials and three Treasury Department officials Friday to testify before a grand jury that is investigating whether there was any improper connection between Whitewater Development Corp., a failed land venture in which the Clintons were partners, and Madison Guaranty Savings and Loan Association, a failed Arkansas financial institution.

On Saturday, White House Counsel Bernard W. Nussbaum resigned after the disclosure that he met Treasury officials for a briefing on the status of inquiries into Madison, the thrift owned by James McDougal, one of the Clintons' Whitewater partners.

Mr. Rostenkowski's response to a question about whether the Ways and Means Committee will hold hearings comes less than a week after Mr. Clinton appeared with Mr. Rostenkowski in Chicago in the midst of the 66-year-old lawmaker's battle to win a 19th term.

Mr. Rostenkowski and Mr. Clinton shared a platform Feb. 28 in Chicago, where Mr. Rostenkowsi is in a tough re-election battle. Mr. Rostenkowski is under federal investigation for the alleged embezzlement of $22,000 from the House post office.

White House spokesman Donald Steinberg said yesterday the administration has no comment on Mr. Rostenkowski's remarks, adding that Mr. Clinton's trip to Chicago was not a campaign trip. The topic of the president's speech that day was crime.

Sen. Alfonse D'Amato, New York Republican, told the Associated Press that because of the administration's attempt to stonewall the investigation, the issue has "the potential of being as great, if not greater, than Watergate."

The presidency is in danger, he said, "as a result of the continued conduct and the continued pattern of deception."

Vice President Al Gore, speaking on NBC-TV's "Meet the Press," acknowledged that "mistakes were made," but said the continuing criticism was being driven by partisan politics.

"I think there's an enormous amount of partisanship in it, of course," Mr. Gore said.

House Republican Whip Newt Gingrich of Georgia, in a Cable News Network interview, denied Mr. Gore's assertion of partisan-driven allegations. "We had nothing to do with the Nussbaum resignation," he said.

White House Chief of Staff Thomas F. "Mack" McLarty was asked on CNN's "Late Edition" whether Mrs. Clinton was aware that Treasury Department officials were briefing White House officials on the status of the Whitewater-Madison probe.

"I don't believe she was; she may have been," Mr. McLarty said. "I simply don't know that." Mrs. Clinton's chief of staff attended one meeting.

Was the president aware of the meetings? "I don't believe he was," replied Mr. McLarty.

Mr. Gore said the White House would attempt in the future to avoid even the appearance of impropriety.

"We will have the highest ethical standards in this White House," Mr. Gore said.

His ex-attorney Bernie

Bill Clinton may be wishing he had gotten a dog after all. What better proof could there be of the adage about fickle Washington friendships than the announcement by Rep. Dan Rostenkowski that he may convene his House Ways and Means Committee for an investigation into the White House coverup of Whitewater. This just one week after Bill Clinton, weathering negative press, went to Chicago to campaign for the beleaguered Rosty, who for some time has been under imminent threat of indictment for his role in the House Post Office scandal.

But Mr. Rostenkowski's lack of gratitude does not even begin to suggest the depth of the president and Mrs. Clinton troubles. With subpoenas flying and the resignation of White House counsel Bernie Nussbaum, the White House has become a very uncomfortable place. No wonder the Clintons chose to escape to Camp David for the weekend. But try as they might, they will no longer be able to dodge the Whitewater scandal. What had been a complicated and obtuse story about screwy Arkansas business practices has now become a story about abuse of presidential power.

Not to say that key officials are not still in deep denial: Al Gore and George Stephanopoulos went on the Sunday talk shows to repeat the nothing-wrong-has-been-done mantra and bitterly to blame those scheming members of the minority party. "The Republicans can't run on the economy, they can't run on health care, they can't run on welfare, they can't run on crime," Mr. Stephanopoulos said, "so they are going to try to exploit this issue."

Mr. Stephanopoulos even tried to revive the discredited and quickly discarded explanation that the meetings between senior Treasury Department officials and top White House aides were inconsequential and unimportant; that disclosing confidential information to the president's lawyer about criminal referrals involving the Clintons is somehow no big deal. "It was information that was not about the substance of the investigation" into the Clinton's Arkansas land deals, Mr. Stephanopoulos said on "This Week with David Brinkley." "It was simply to handle the press inquiries." It seem unlikely that this line of defense will much impress special counsel Robert Fiske Jr.

The vice president seemed equally oblivious to the hard facts that are now known about the Whitewater coverup. There is "still no credible allegation of wrongdoing by anyone in the administration," Mr. Gore said yesterday. But of course there are allegations of wrongdoing, and thoroughly credible ones at that. At the very least, everyone involved may have run afoul of Section 2635 of Title 5 of the Code of Federal Regulations, which requires government officials to work exclusively on government business. Doing reconnaissance on an investigation into the president's personal financial dealings does not count as government business.

Administration officials have been spinning hard the preposterous notion that the gathering of privileged information is only a matter of shaky appearances. The White House, we are told, never attempted to pressure or influence regulators or prosecutors. But even if this is true, it does not absolve the administration of interference and abuse of power. Prosecutors do not keep potential suspects apprised of their progress for one simple reason: A guilty suspect will be able to hide or destroy crucial evidence if he knows in advance that it is wanted. This is known as obstruction of justice.

One of the issues Mr. Fiske will be investigating is whether the shredding of documents at the Rose law firm in Little Rock, as first reported by The Washington Times, was in any way triggered by information illegitimately obtained in November by White House counsel Bernard Nussbaum and Hillary-assistant Margaret Williams.

The president has yet to claim that Mr. Nussbaum did not inform him of the meetings with Treasury officials, whose temporary control of the Resolution Trust Corp. gave them access to the crucial information about the RTC's criminal referral involving the Clintons. Indeed, it is almost impossible to imagine that Mr. Nussbaum failed to do so or that Ms. Williams never mentioned it to the first lady. When Mr. Nussbaum took the Whitewater files out of Vince Foster's office on the night of his death, he delivered them to Mr. Clinton. Investigators were kept in the dark, but not the president. What did the first couple know about the Nussbaum meetings, and when did they know it, will be crucial and could be devastating.

How could this be happening to an administration full of lawyers who cut their teeth on Watergate and who witnessed the parade of scandal charges that trampled so many Republicans throughout the 1980s? The answer is that the Clinton administration is full of bright people who believe their own press releases and clippings about their virtue, unlike those bad old corrupt Republicans who used to be investigated by Congress at the drop of a hat. This attitude will prevail no longer. For one, there are going to be mighty few press clippings for some time touting the virtue of this administration. Whatever criminal proceedings will come out of Mr. Fiske's efforts, at the very least, we should have an administration scrubbed of the conceit that ethics laws apply only to their enemies.

MONDAY, MARCH 7, 1994 The Washington Times

Reaching a verdict in New York

The verdict in the World Trade Center Bombing on Friday was the good news of a week that otherwise contained its share of disturbing events on the terrorism front. Right in New York City, again, innocent people, a group of Yeshiva students trapped in their school van, were attacked by a Lebanese gunman. Over the weekend, one of them died from bullet wounds to his head. The New York shooting followed on the massacre of Muslim worshippers at the Cave of the Patriarch by a crazed Jewish gunman, which has set off new waves of fear and terror in Israel's occupied territories, threatening the already none-too-robust peace process. In Egypt, radical Muslim fundamentalists bent on destroying the country's economy through its tourism industry set upon a group of touring Germans, wounding one. At a time like this, you have to wonder whether the forces fanaticism can be beaten back.

But the law enforcement effort, that led to the unravelling of the World Trade Center plot, the five-month trial and the jury's carefully deliberated verdict, reached over six days, should give us hope that civilized society can counter the threat effectively. The guilty verdict against the four suspects stands as a warning to others who try to bring campaigns of terror and intimidation to American shores that they will be caught and punished. The maximum sentence the four face when they come up for sentencing in May is life in prison without parole. That does not seem too much by any measure.

It is clear, however, that in this unstable world, it will take determined counterterrorism efforts to keep our shores safe. As conspirators, the the World Trade Center plotters were not a very impressive group. One of their most important mistakes was to go back to get the deposit on the Ryder van that had carried the explosives and had unfortunately been atomized in the process. The damage this bunch of Keystone bombers inflicted was still massive, six people dead, 1,000 wounded, a five-story crater blown in one of the world's most famous building complexes. Another plot, even more ambitious, was uncovered soon after their arrest, aimed at the U.N. building, the two tunnels connecting New York and New Jersey, even the federal court house, as well as Sen. Alfonse D'Amato and others. Fifteen defendants in that case will be going on trial in September, including the blind cleric Sheik Omar Abdel Rahman, whose poisonous radical teachings incited his followers to violence. That trial could well be attended by more threats of terrorism, involving as it does groups like Hamas, the militant Islamic Group and connections to Sudan.

Friday' verdict was a victory for law and order, but the Trade Center Bombing was only one skirmish in a war against violent fundamentalism that goes on.

bc-whitewater-analysis - a1721
(ATTN: National editors) (Includes optional trims)
Whitewater Handling Shows Clintons Ignored Watergate Lesson (Washn)
By Jack Nelson and Tom Rosenstiel= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton's decision to drop White House Counsel Bernard Nussbaum and issue strict orders against further back-channel contacts with the Whitewater investigation came only after a belated realization that the growing appearance of a cover-up might prove more damaging than the ill-starred real estate deal itself.

Late last week, as criticism mounted in the wake of disclosures that Nussbaum had participated in a series of improper meetings on Whitewater with officials of the Treasury Department, an angry Clinton exploded at his staff, demanding an end to self-inflicted wounds.

``His anger,'' said one aide, ``was over the fact that the way we were handling Whitewater was being perceived as a Watergate cover-up, and he and all of us here know we operate on a different level of integrity.''

Yet it was Clinton himself as well as first lady Hillary Rodham Clinton who for months brushed aside warnings that Nussbaum's actions, along with some by the Clintons themselves, were fueling the controversy.

As a result, Clinton has run afoul of one of the most clearly marked pitfalls in all of Washington the Watergate trap, in which efforts to minimize or cover up a potentially damaging situation can become politically and even legally more dangerous than the original situation.

``Whitewater is not Watergate, but we've been acting like it is,'' an exasperated senior Clinton aide said shortly before Nussbaum's resignation. ``The siege mentality here is dumb. We ought to learn from the past and not repeat it. We should get all the facts out.''

That assessment was echoed by seasoned political operatives and legal experts outside the government.

``It is kind of baffling how very smart people and supposedly smart lawyers come to Washington and think they can manage the news,'' said Henry Ruth Jr., a special prosecutor during the Watergate scandal, referring to the tendency of officials such as Nussbaum to try to prevent public disclosure of embarrassing information. ``They invariably find out they can't and in trying to unsuccessfully manage the news, they do a great disservice to their bosses.''

In the case of Watergate, President Nixon was forced to resign and several of his top aides went to prison, not because of direct involvement in what Nixon called the ``third-rate burglary'' of Democratic Party headquarters in the Watergate building in 1972 but because of actions taken to shield the White House afterward.

The Watergate effort, which amounted to criminal obstruction of justice, added the word ``cover-up'' to the Washington lexicon. Today, the term applies to any ill-conceived attempt to suppress damaging or embarrassing information even if no criminal activity is involved.

Indeed, Ruth and others note that in many of the scandals since Watergate, stupidity and poor judgment rather than evil wrongdoing have led to problems. ``In most cases we are involved in things that if revealed up front would not be so serious,'' Ruth said.

White House aides insist that is exactly the situation with Whitewater, the failed Arkansas real estate development in which the Clintons invested during the 1970s and 1980s, a span of time that included Clinton's tenure as governor.

Clinton himself has said in repeated public statements that he wants nothing done that would interfere with the various investigations of the real estate venture and the events and individuals surrounding it including the inquiry of Whitewater special counsel Robert B. Fiske Jr.

Yet whether because of inattention, bad judgment or some other reason, the Clinton White House has often seemed bent on creating the opposite impression.

``(Nussbaum's) incompetence deserves a large share of the credit,'' one [redacted]ior administration official said, but he added: ``I think the atmosphere existed there that created this behavior in a general way.''

(Begin optional trim)

Nussbaum's miscues began following the apparent suicide of last July of White House aide Vincent Foster, who was a former law partner of Hillary Clinton's in Little Rock, Ark., and had handled matters involving Whitewater.

When police came to the White House seeking information that might shed light on Foster's death, Nussbaum refused to give them direct access to his office. Instead, Nussbaum himself sifted through Foster's papers, turning over some but withholding others.

It soon developed that some of the documents Nussbaum had held back were related to Whitewater. Critics, many of them Republicans, immediately cried cover-up.

The papers in question have now been subpoenaed by Fiske. But at this late date it is almost impossible for Clinton to erase completely the impression of a possible cover-up.

Clinton and the White House also resisted for months the appointment of a special counsel to investigate the matter, yielding only when continued [redacted]lations about Whitewater made the pressure irresistible.

[redacted](End optional trim)

Some White House aides say Hillary Clinton was especially vigorous in opposing appointment of a special counsel and in defending Nussbaum, who had served as a mentor early in her career as a lawyer and whom she had originally backed for the crucial post of White House counsel.

``Basically, she thought they could get away with opposing a special counsel because they had been promised there would be no congressional hearings'' on Whitewater, one aide said. (Now, GOP pressure is becoming so great that the Democratic majority in Congress may bow to the demands for hearings as well.)

The meetings with Treasury Department officials proved to be the final straw. The department is probing a defunct savings and loan once owned by James B. McDougal, the Clintons' partner in the Whitewater project. A central question in the whole Whitewater affair is whether money from McDougal's S&L was used to benefit the Clintons.

By briefing Nussbaum and others from the White House on the progress of their activities, Treasury Department officials did something that is not routinely done for the targets of other such investigations.

[redacted](Optional add end)

Presidential historian James David Barber of Duke University argues that ``cover-up'' has become a component of the political culture in part because it is often easier for voters to grasp the idea that someone is hiding something than it is to understand the details of the affair itself.

``People cannot really understand the complication of a lot of political news. And so something simple often comes to be the element that is remembered,'' Barber said.

In the same way, says Douglas Bailey, a former Republican political consultant and now publisher of the Hotline, a newsletter about politics, the idea of a cover-up provides a handy lever to political opponents who want to keep the probe of any potential scandal alive while the investigation is in a stage where little about the case itself may be emerging.

``I don't believe I have ever had a conversation with a candidate or a campaign, where I didn't start by saying: `Look whatever the truth is, once the subject has been raised in any way, you have to make the assumption that it is going to come out. Now do you want it dragged out piece by piece and make you look like a fool and a liar? Or do you want to have it come out all at once and have you look like just a fool? If it comes out all at once, chances are people will be forgiving. If you drag it out, people will never [redacted]ive.'

[redacted]What is amazing is how many otherwise good and sensible people may understand that advice but simply ignore it,'' he said.

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bc-whitewater-react times
(ATTN: National editors) (Includes optional trims)
[redacted]rmer Watergate Prosecutor Considered to Succeed Nussbaum (Washn)
[redacted]Ronald Brownstein= (c) 1994, Los Angeles Times=
WASHINGTON As the furor over the Clinton administration's handling of the Whitewater investigation raged across the Sunday TV talk shows, the White House appeared to be narrowing in on a replacement for presidential counsel Bernard Nussbaum, who resigned under fire for his actions during the probe.

One senior administration official said the White House would pick a successor shortly and said former Watergate prosecutor Charles F.C. Ruff had emerged ``as the clear, clear front-runner for the job.''

Like other White House sources, the official cautioned that no final decision had been reached. ``In this game there is no guarantee until it is over,'' he said. But he added: ``Charles Ruff is pretty far along with it.''

Asked about those remarks, Ruff said Sunday: ``You're way ahead of me,'' adding that he ``was not in a position to talk about this.''

In an interview on CNN's ``Late Edition,'' White House Chief of Staff Thomas ``Mack'' McLarty on Sunday described Ruff as ``a person of distinction.'' But he added: ``I'm not going to get into any specific individuals.''

Nussbaum resigned Saturday after it was reported last week that he had participated in three meetings between White House aides and Treasury Department officials supervising the Resolution Trust Corp.'s investigation of a failed Arkansas savings and loan owned by the Clintons' business partner [redacted]he Whitewater land development deal.

[redacted]n Sunday, Republicans escalated charges that those meetings raised the specter of a ``cover-up'' and obstruction of justice.

``Let's not forget that Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering in the investigation, '' said Sen. Phil Gramm, R-Texas, on ABC-TV's ``This Week With David Brinkley.'' ``I think the president is getting deeper into a hole. If the president continues to have officials of the regulatory agencies over to the White House to brief staff, if the president continues to have White House counsels interfere in investigations, that can quickly become obstruction to justice if you're not careful about it.''

Also appearing on the program, George Stephanopoulos, senior adviser to the president, said the administration doesn't believe ``anything unethical occurred'' during the meetings between White House and Treasury Department staffers and that ``no specific information about the substance of the investigation was provided at all.'' The purpose of the meetings, was to discuss how ``to handle the press inquiries'' about the controversy, Stephanopoulos said.

But, Stephanopoulos conceded, ``the meetings probably should not have happened.''

Likewise, Vice President Al Gore acknowledged Sunday that ``mistakes have [redacted]made'' in the White House's handling of the investigation. ``Whatever [redacted]akes were made,'' he said on the NBC-TV's ``Meet the Press,'' ``there is an aggressive determination to make absolutely certain that there is no interference of any kind.''

(Optional add end)

As a successor to Nussbaum, a longtime friend of the Clinton family, the president should pick someone more independent of his inner circle, Sen. Daniel Patrick Moynihan, D-N.Y., counseled Sunday. The person should be ``someone who is not a friend of anybody working there now, but is a friend of the institution of the presidency,'' he said on CBS-TV's ``Face the Nation.''

The senior administration official said it was unrealistic to demand that Clinton appoint to the job someone he doesn't know. Instead, he argued, the test should be whether ``you can imagine a president other than Bill Clinton appointing (the person) to the job.''

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