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1998 JUL 9 PM4:29

Ambassador Gilbert A. Robinson
6617 Jill Court ,Suite 100, McLean Va. 22101

Tel. 703-917 9501

Fax 703-917 9505

The President
 The White House
 Washington, D.C.

June 29, 1998

Dear Mr. President,

I want to share a secret. Betty Currie has a Republican

As a former Ambassador-at-Large
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 Soviet Union. Ambassador Thompson thought it was so significant he asked me to write a
 memo to President Eisenhower and the Secretaries of State and Commerce which he sent.

Such debates undoubtedly occurred within the party structure for you to appear on
 Chinese Television nationwide.

I led the first business delegation to China in 1978 and then began to do business in China
 prior to President Carter normalizing relations. I thought then that China would begin to
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The President
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June 29, 1998

Dear Mr. President,

I want to share a secret. Betty Currie has a Republican friend—me.

As a former Ambassador-at-Large with Ronald Reagan and Secretary Shultz I spent some time on Chinese and Soviet issues and now as a businessman again have had an office in Moscow, Russia for five years. At an earlier time in government Betty and I worked together in the Peace Corps headquarters.

I want to commend you in the highest terms for the manner in which you handled the televised Press conference in Beijing, China and the subsequent appearances on TV and radio. You spoke for all Americans in a strong direct way which was sensitive to your audience. In my opinion you covered all the bases in a clear communication to the Chinese and the World.

There may be an historical parallel with Russia at the time of Khrushchev.

As the Coordinator of the American National Exhibition in Moscow in 1959 I helped put Khrushchev and Nixon together in the "kitchen debate". When the Exhibition closed, the Soviet Foreign Ministry invited me in for a post-mortem discussion. They asked me if I thought it was successful. When I said I thought it was 2000% percent successful they all smiled. They then revealed that they all had been in favor of the Exhibit coming to Moscow but that there had been a huge fight and they had won. This confirmed what we suspected that the Stalinists and Khrushchevists had a major policy fight over whether to open up The Soviet Union. Ambassador Thompson thought it was so significant he asked me to write a memo to President Eisenhower and the Secretaries of State and Commerce which he sent.

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President Eisenhower engaged the Russians(please tell that to your critics). You are absolutely right in engaging the Chinese. History will thank you. And I thank you. Congratulations.

With Best Regards,

Sincerely

A handwritten signature in black ink, appearing to read "Gil Robinson", with a long horizontal flourish extending to the right.

Gilbert A. Robinson

Eng Sec

Date: June 25, 1998
To: Nancy Hernreich
From: Jacqueline Bellanti *Jackie*
Re: Reverend Angelo D'Agostino, S.J., MD

Dear Nai

7-8-98

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Children 100" was displayed the ...
and a "babe in swaddling clothes" in the Nyumbani cemetery .

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Since the enclosed article was written, Father D'Agostino has established a Foster Home Program for an additional 35 children with AIDS and continues to expand the in-house facility to accommodate in increasing number of abandoned infants and children who have this deadly disease.

Both my husband Joe and I have served on the Nyumbani Board of Directors since its inception in 1988 and know first hand of the unselfish dedication this man has for all humankind, especially children.

A letter from the President, although unsolicited by him, would be most appreciated as he is a strong and vocal supporter of the President and the accomplishments of this administration.

Thank you for considering this request.

Reverend Angelo D'Agostino, S.J., MD
Founder, Nyumbani
c/o Reverend William J. George, S.J.
Georgetown University
302 Healy Building
Washington, DC 20057-0001

Jeff Sec

Date: June 25, 1998
To: Nancy Hernreich
From: Jacqueline Bellanti *Jackie*
Re: Reverend Angelo D'Agostino, S.J., MD

Dear Nancy;

I am enclosing a piece from the Washington Post Health Section (April 28, 1998) which may be of interest to the President in the hope that he may wish to send a letter of acknowledgment to Father D'Agostino for the work he is doing to combat the problem of orphaned children with AIDS in Africa. Father D'Agostino met the President on 10/13/95 at a Radio Address and spent some time with him discussing the projects in Africa. Father Dag is a classmate and fellow seminarian of Father Leo O'Donovan, President of Georgetown University; they studied and graduated from the seminary together, and still maintain a close relationship.

Also, a photo taken at Nyumbani (Father Dag's orphanage in Africa--Swahili for "home") by Martin Lavor received the 1995 White House News Photographers Association Award, Illustration Category. The photo, entitled "AIDS Kills Children Too" was displayed the Oval Office. It depicted the small white crosses and a "babe in swaddling clothes" in the Nyumbani cemetery .

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Founder, Nyumbani
c/o Reverend William J. George, S.J.
Georgetown University
302 Healy Building
Washington, DC 20057-0001

[The Washington Post]

HEALTH

TUESDAY, APRIL 28, 1998

STROKE

*Quick
Drug
Treatment
Improves
Lives—and
Saves
Money*

■ Self-
portrait
of a stroke
patient.

*Obituary Hospital Vermont
St. John's Hospital 1983*

*Quinn, Charles
1920-1983*

Plus: A Physician's Journey From Surgeon to Psychiatrist to Missionary

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HEALTH

April 28, 1998

Volume 14 / Number 17

COVER STORY



A genetically engineered drug drastically cuts the cost of treating stroke patients by reducing the disability they suffer. **Page 7**

THIS WEEK'S NEWS

- 12 The long spiritual and medical quest of Angelo D'Agostino led him from urology to the priesthood to practicing psychoanalysis in Washington to running an orphanage for children with AIDS in Kenya.



CAROL GUZY - THE WASHINGTON POST

■ Five-year-old Joseph Birgen, center, holds a candle for morning prayers at the Nyumbani orphanage in Nairobi run by the Rev. Angelo D'Agostino.

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COVER ILLUSTRATION • "Self-portrait (No. 20)" by Ivan Le Lorraine Albright.
Photograph copyright 1998 The Art Institute of Chicago, All Rights Reserved

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T

he call came from the wife of one of Angelo D'Agostino's former college roommates. "Dag," as his old friends call him, was coming to town. He's raising money for an orphanage he runs in Kenya for children with AIDS, a good cause, she assured me. Do you want to do a story about his orphanage?

She added that she should mention that D'Agostino is a Catholic priest. Also a doctor. And a psychoanalyst.

Actually, he started out as a surgeon specializing in urology.

I was intrigued. A Catholic psychoanalyst and former urological surgeon who runs an orphanage for African children with AIDS?

Soon I found myself at a dinner honoring a small man who bears more than a little resemblance to the aging Sigmund Freud. He was surrounded by about 200 people who have made a project out of supporting "Nyumbani," the institution D'Agostino founded six years ago outside Nairobi. They were Catholics and non-Catholics, old Africa hands, former patients from the days when D'Agostino practiced psychiatry in downtown Washington, friends of friends.

"None of this makes any sense, except they have all been touched in some special way by the things he's done," said Margaret L. Petito, a Washingtonian who helped organize the event.

■ ■ ■

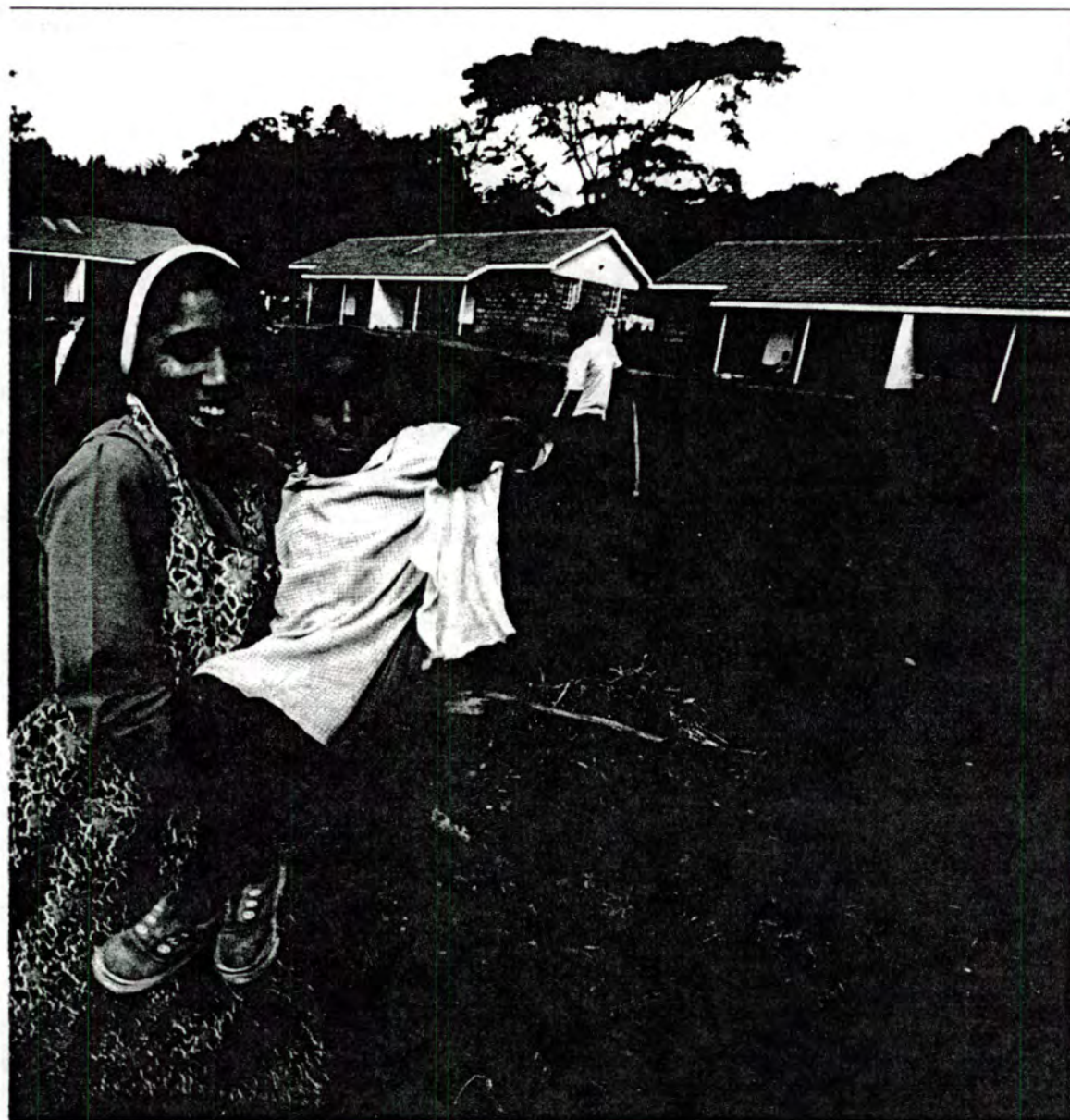
Nyumbani is the Swahili word for "home." It is just the latest stop on a long spiritual and medical quest of the Rev. Angelo D'Agostino, SJ, MD. It's a quest that's

See DOCTOR - PRIEST, Page 14



THE I

Angelo D'Agostino



At the Nyumbani orphanage for HIV-infected children in Nairobi, Sister Emilina Eliamma carries Christy Gatwiri, 5, to class. The founder of the orphanage, doctor-priest Angelo D'Agostino, is at far left.

HEALING SPIRIT

Journey from Doctor to Priest to Missionary

BY DAVID BROWN ■ PHOTOGRAPHS BY CAROL GUZY



DOCTOR-PRIEST, From Page 12

traced an unlikely path and has touched two of the century's major medical struggles.

Forty years ago, as a young surgeon seeking a new life as a Jesuit priest, D'Agostino was enlisted by the church to help quell the rancorous struggle between Catholicism and psychoanalysis. In the postwar years, when Freud's theories dominated American psychiatry, this was an important task. Psychoanalysis, with its emphasis on sexual drives and unconscious motives, was captivating an increasingly secular country. Between Catholicism and Freudianism, in fact, there was a Cold War, and D'Agostino was a diplomat who shuttled between both sides.

Today, he's at a different medical Ground Zero. He's part of the war against the discrimination and social disruption caused by infection with the human immunodeficiency virus (HIV) that causes AIDS—and he worries about less abstract things than he used to.

Africa is the continent worst hit by the AIDS epidemic, and it has the largest number of children whose mothers have been lost to the disease. A report recently published by the World Bank estimated that in Uganda, for example, 5 percent of children under age 14 are so-called "maternal orphans." In Kenya, the estimate is 1.8 percent.

Ostracism of AIDS patients is also a big problem in Africa. In 1992, while serving as a trustee of a Catholic orphanage in Nairobi, D'Agostino proposed that the institution make some sort of special provision for HIV-infected children. But it became obvious that the trustees wanted as little contact as possible with such children. So he quit the board and started his own orphanage.

Nyumbani, which began as a single rented house, now occupies a 2½-acre compound in a suburb of Nairobi. D'Agostino and his staff of 25—nurses, teachers, cooks, drivers, gardeners—take care of about 55 children, whose ages range from a few days to 14 years old.

All of the children arrive testing positive for HIV. For

who actually carry the virus (and are making their own antibodies to it) be distinguished from children who are only transiently antibody-positive.

As it happens, about three-quarters of Nyumbani's newborn orphans eventually turn out to be uninfected. The fact that many of them have been abandoned in the hospital—and consequently can't acquire the virus through breast-feeding—helps keep the percentage high. Some of these children are ultimately adopted by Kenyan families or, in a few cases, by foreign families.

The less lucky infants, and the older children who arrive when their infection is certain, can spend their entire lives at Nyumbani. There's a school, plenty of room to run around in, a vegetable garden. A pediatrician comes in three times a week. Dying children can get hospice care, and a few are even buried on the grounds.

The orphanage costs about \$12,000 a month to run, and is supported entirely by donations, mostly from individuals. (There are a few larger donors; the government of Japan last year gave \$50,000 for the construction of a school building.) Triple-drug combination antiviral therapy, which has created a revolution in HIV care in industrialized nations, is out of the question, although D'Agostino has been able to get some cheaper medicines to help prevent opportunistic infections in the children.

At age 72, Angelo D'Agostino has plenty to do. But, in truth, it's the Third Act of his life.

■ ■ ■

D'Agostino grew up in Providence, R.I., the child of Italian immigrants. His father was a construction worker,

See DOCTOR-PRIEST, Page 17

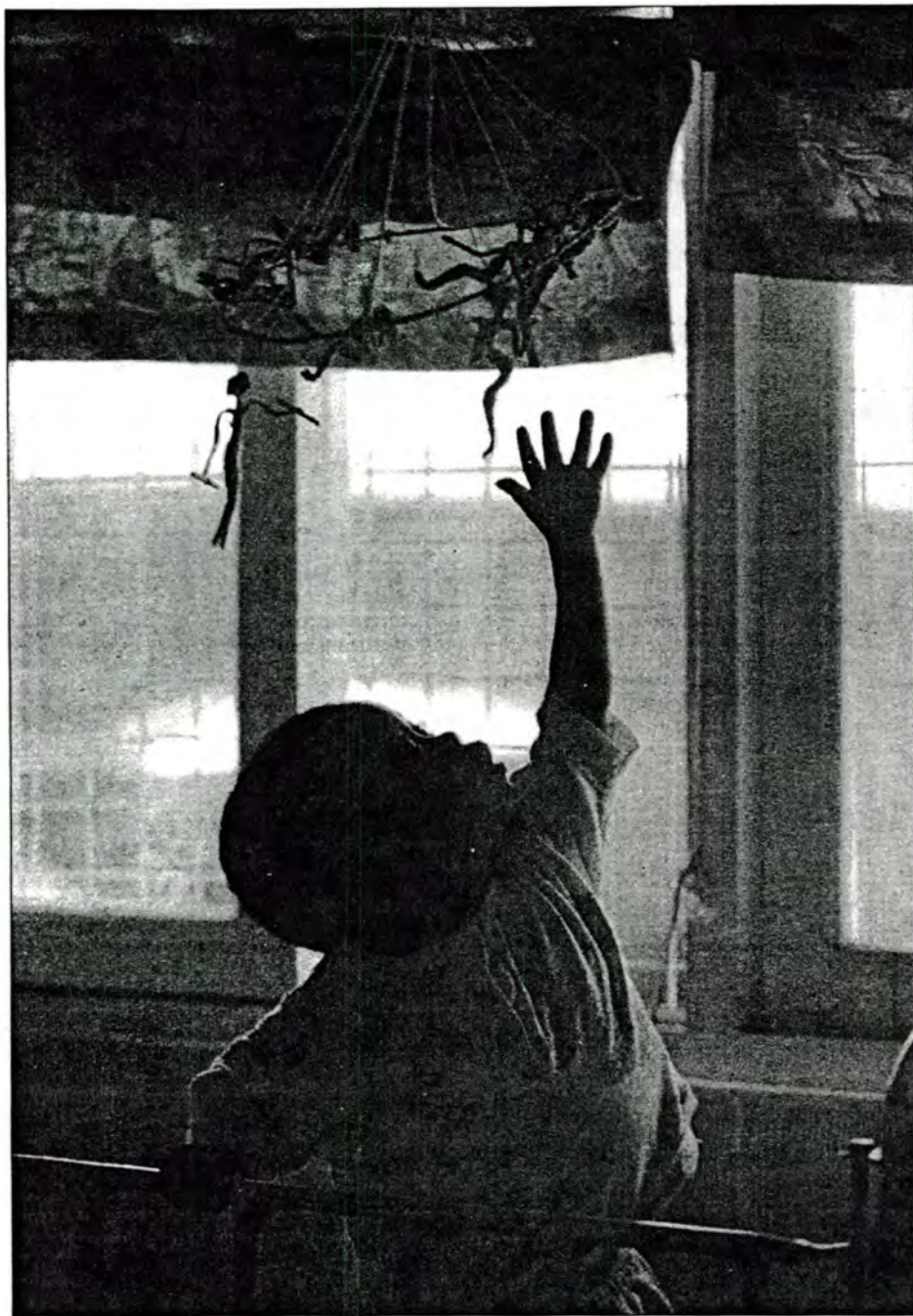


the infants, however, the label can be misleading. That's because all babies born of infected mothers carry some of her HIV antibodies for a while—and it's antibodies, not the virus itself, that is measured in the conventional AIDS test.

Not until about six months after birth, when the maternal antibodies finally disappear, can the children

Meshak Irangu, top left, an HIV-positive 9-year-old at the Nyumbani orphanage in Nairobi, stands in the orphanage's cemetery.

The Rev. Angelo D'Agostino, a doctor and the founder of Nyumbani, plays with children in their bedroom cottage.



DOCTOR-PRIEST, From Page 14

and his mother periodically worked in a textile mill. Together, they had four boys and two girls. Despite the father's lack of enthusiasm for the ecclesiastical world, two of the children became priests, another a Christian brother and one a nun.

Angelo, the next to youngest, went to St. Michael's College, a Catholic institution in Vermont, and then Tufts University School of Medicine. He trained as a surgeon—a urologist, specifically—in Boston, and spent the Korean War working in a military hospital outside Washington.

He was leading a relatively ordinary life as a young

This child lives in Nairobi at the Nyumbani orphanage for HIV-infected children, founded by Angelo D'Agostino, a Jesuit physician.

doctor—practicing during the day, dating and taking dancing lessons in the evening—when, one weekend, he went on a retreat led by a Jesuit priest. He says there was no conversion experience. But in the ensuing months, D'Agostino recalled, "I finally realized there was more to life than cutting up, and sewing up, people." He decided that what he really wanted was a religious vocation.

After much persuasion, the Society of Jesus permitted him to enter a center for novices in Pennsylvania after his discharge from the Air Force in 1955. There, he spent two years living a simple life of farm work and religious study. It was a world with no radios, telephones or newspapers, where the rhythm of each day was set by the ringing of bells. All conversation was in Latin except for 45 minutes after the evening meal, when English was permitted. They were, he said, "probably two of the happiest years of my life."

D'Agostino hoped he might become a medical missionary, but the priest in charge of the novice center had a different idea. He suggested that D'Agostino might better serve the church by switching to psychiatry.

"The Jesuits were always in the forefront of intellectual battles, and at the time there was a war going on between Catholicism and psychiatry," D'Agostino recalled. "The novice master thought maybe with my background in medicine I could talk to both sides. As a psychiatrist, I might be able to present to psychiatrists the validity of religious belief."

■ ■ ■

The chief conflict at the time was less between psychiatry and Catholicism than between psychoanalysis and Catholicism. The reasons for the mutual suspicion were many.

Most of the original psychoanalysts were atheists. Freud himself tended to interpret religious behavior and ritual as expressions of human need and neurosis. For their part, many Catholic theologians looked askance at the lack of free will implicit in much of Freudian psychology, as well as the emphasis on sexual drives. The conflict reached a peak in 1947, when Bishop Fulton J. Sheen, perhaps the best known Catholic priest in the country, attacked the "materialism, hedonism, infantilism and eroticism" of psychoanalysis in a sermon at St. Patrick's Cathedral in New York.

By the late 1950s, Pope Pius XII had given a limited endorsement of psychoanalysis, and certain aspects of psychoanalytic theory were being included in the training of Catholic pastoral counselors. There were organizations of Catholic psychologists and psychiatrists, as well. The rapprochement between the two belief systems, however, was still new and fragile.

D'Agostino took a residency in psychiatry at Georgetown University, and then got training as a psychoanalyst at the Washington Psychoanalytic Institute. Interspersed with this work were four more years of study for the priesthood.

He was ordained in 1966, becoming at last the hybrid the church was looking for—a member of the most scholarly order of priests and a certified practitioner of the most abstruse form of psychotherapy.

For nearly two decades, D'Agostino served the two callings. He practiced psychiatry in an office at 20th and L streets NW, doing two or three hours of psychoanalytic cases each day, and filling the rest of the time with couples therapy and short-term individual psychotherapy. He was chairman of the American Psychiatric Association's committee on religion and psychiatry, started the Center for

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DOCTOR - PRIEST, *From Page 17*

Religion and Psychiatry at George Washington University, and served as an adjunct faculty member on the medical school there.

For his part, D'Agostino did not find the two belief systems at all difficult to reconcile—even on the trickiest subjects.

For nearly two decades, D'Agostino served two callings: psychiatry and the priesthood.

"I was thoroughly convinced of its [Freudian theory's] validity and usefulness," he said. "I still believe in some of the basic ideas—things like the unconscious and its structure, concepts like reaction formation and the sublimation of the sexual drive." Religion, to his mind, simply addressed other questions, other needs. "When one gets into the realm of the spiritual, you leave the psychological behind."

■ ■ ■

Things began to change again for Angelo D'Agostino after he took a trip to China in the early 1980s. A group of church officials were looking into the possibility of reopening a Jesuit-run medical school in Shanghai that had been closed after the Communist revolution. Although the plan never materialized, D'Agostino came away from it with a case of wanderlust.

In the next few years, he took two short-term positions helping establish Catholic relief services in Southeast Asia and Africa. He eventually returned to practice in Washington, but found that things were different.

"The problems that were presented to me in committees, in the medical society and in the consultation room were not as all-demanding or as needful as the problems I had seen in Africa," he recalled. "It was constantly before me—the contrast."

One person who watched D'Agostino come to terms with his doubts was the Rev. Robert F. Drinan. A former congressman from Massachusetts, Drinan was teaching at Georgetown's law school and, like D'Agostino, living at the Jesuit Community, the living quarters for Jesuit priests on the campus.

"I think every Jesuit goes through a mid-life crisis. His was just more dramatic," Drinan recalled. "He had a lot to give up, and he had high-placed friends here. But he wanted new challenges."

In 1986, D'Agostino closed his practice, quit his committees, said goodbye to his friends and returned to Africa.

■ ■ ■

Urology is a long way from psychiatry. They're both a long way from the priesthood and running an orphanage in Africa.

D'Agostino, however, finds nothing contradictory about any of his choices. They're all connected in unexpected ways in his conversation. Ask him, for example, how he could have made such a risky decision as starting his own orphanage from scratch, and he answers matter-of-factly: "My background was surgery. I was a doer."

His life, in fact, is a patchwork of shared loyalties.

Every child at Nyumbani gets religious instruction. All but those from identifiably Muslim families are baptized. D'Agostino says Mass for the children every Sunday.

Six mornings a week, D'Agostino practices psychiatry. ("As a Jesuit, I have to support myself," he notes.) Twenty dollars an hour is his top fee, and often he gets the equivalent of pocket change. No one is seen for free.

Freud, after all, never allowed that.

■

(H)ray
O'Donovan /H
6/22/98
cleared by Paul Winkler
updated 7/7

THE WHITE HOUSE
WASHINGTON

cc: Leo's letter to (H)ray

July 8, 1998

The Reverend Leo J. O'Donovan, S.J.
President
Georgetown University
Washington, D.C. 20057

Dear Leo:

Thank you for your letter updating me on Georgetown University's activities in microcredit and community development services. I'm very pleased that my alma mater has taken an active role in supporting such financial projects in the District of Columbia. Thanks, too, for your offer of assistance. I have shared your letter with my staff in the Domestic Policy Council.

As you know, I have long supported the creation of a national network of community development financial institutions to extend capital, credit, and basic banking services to distressed communities. And, I have committed my Administration to the expansion of microcredit as a means to promote self-sufficiency.

Georgetown is making a vital contribution in the field of community development and micro-lending. Without the commitment of partners in the for-profit and non-profit sectors, the Community Development Financial Institutions program would not be possible. I eagerly look forward to hearing of your continued successes in this area.

As always, I send my best wishes.

Sincerely,

Bill Clinton



5-8-98
5:00
SW

GEORGETOWN UNIVERSITY

5-7-98

Office of the President

April 28, 1998

To Burkhardt for reply?



Yes ☒ No ☐

Coordinate with NSC?

Yes ☒ No ☐

B.

The President
The White House
Washington, DC 20500

Dear Mr. President,

The many accounts of your recent tour of Africa were both moving and inspiring. Your visit with President Nelson Mandela was, of course, stirring for all of us who followed your journey, as were your remarks about Rwanda and your stop on Goree Island. And what a delight to see how warmly the people of Africa welcomed you and the First Lady.

As you spoke at various stops about the growth of democracy and the promise of economic prosperity, and particularly of the ways in which community building initiatives such as the FINCA/Uganda microcredit program and the TechnoServe/Ghana microenterprise education and business development services program are succeeding, I thought about some of the microcredit projects we are launching here at Georgetown. Given your administration's pledges to advance community development through microenterprise, and the First Lady's leadership as chair of the Microcredit Summit in 1997, I thought that some information about Georgetown's efforts might be of interest to you.

A little more than a year ago, a Georgetown student and faculty delegation attended the Microcredit Summit as members of the Council of Educational Institutions. They returned determined that Georgetown would do its part by teaching students about the practice and values of microcredit and about microcredit's effectiveness in reducing poverty in numerous societies.

These students and faculty formed a Microcredit Working Group and launched a new service-learning course titled "Microcredit Development." The course, offered through the School of Business, is taught by Lawrence Yanovitch of FINCA, who assisted in arranging a portion of your visit to the Village Bank in Uganda. In keeping with Georgetown's Catholic and Jesuit traditions, the

The President
April 28, 1998
Page Two

emphasis of the course is on microenterprise development as a tool for poverty alleviation, and it gives particular attention to the poor of Washington, DC. The course focuses on building community partnerships, and enrolled students complement classroom discussion and academic assignments with volunteer service work in organizations such as TechnoServe and FINCA, as well as other international and domestic community organizations engaged in microenterprise development work. The subject of microcredit development has found considerable enthusiasm among students and faculty across the disciplines on our campus.

Domestic initiatives such as the establishment of the Community Development Financial Institutions Fund, which has played a transformative role in the District community, likewise have enriched our University community by enabling Georgetown to become an integral part of the city's community-building activities.

Three faculty members in our School of Business are collaborating on a research initiative in which they work with Washington's Community Development Corporations to determine what types of investments and technical support are most needed at the local level. Based on their findings, we plan to expand Georgetown's role in providing technical support to non-profit organizations in the District.

We also are in partnership with Howard University to promote a business improvement district in Washington's Shaw neighborhood to enhance that area's environment for small businesses. In addition, Georgetown has become a founding depositor at the Community First Bank, which targets inner-city reinvestment in the District.

We are proud of these initiatives and hopeful that through them we can make a meaningful contribution to our neighbors as well as to our students and faculty's understanding of how they can apply their knowledge and skills to improve their community. Although these are small steps, I wanted to let you know that the words and work of you and Mrs. Clinton have inspired us to play an active role in efforts to transform the local economic structure and foster greater economic justice through microcredit initiatives.

The President
April 28, 1998
Page Three

I would be pleased to provide any additional information about Georgetown's microcredit programs that you would find helpful. We stand ready to assist you in your leadership on this important front, and of course would happily provide a forum should you wish to discuss microcredit initiatives or announce further related measures or policies.

With best spring wishes, and fond prayers,

God bless.

A handwritten signature in cursive script, appearing to read "Leo".

Leo J. O'Donovan, S.J.

LJO'D/sm:alb

*I look forward immensely
to the reunion!*

O'Dwyer Ho
2/6/98
Shared with
Cubert too

THE WHITE HOUSE
WASHINGTON

Burkhardt

July 8, 1998

Mrs. Paul O'Dwyer
Post Office Box 838
Goshen, New York 10924

Dear Pat:

Hillary and I were saddened to learn of Paul's death, and our hearts go out to you.

Throughout his life and career, Paul O'Dwyer worked with passion and conviction for the cause of social and political justice. As a lawyer, union member, public official, and political activist, he was a powerful voice for equal rights and human dignity, both in America and around the world. Your husband devoted his time, talents, and energy to make life better for others, and I hope you can take comfort in the knowledge that many men and women live brighter lives today because of his generous and determined spirit.

I will always be grateful for Paul's friendship and support. Hillary joins me in extending our sympathy, and we are keeping you and your family in our thoughts and prayers.

Sincerely,

Bill Clinton

I loved working
with him on Northern Ireland

Paul O'Dwyer, New York's Liberal Battler For Underdogs and Outsiders, Dies at 90

By FRANCIS X. CLINES

Paul O'Dwyer, a spirited liberal voice in New York politics from his immigrant days in the Democratic clubhouse to his glory years as a fiery anti-Vietnam War insurgent, died Tuesday night at his home in Goshen, N.Y. He was 90.

Mr. O'Dwyer had been in failing health from the effects of a stroke and died quietly in his sleep, according to his nephew and law partner, Frank Durkan.

To his deathbed, Paul O'Dwyer, a white-maned, fiercely browed advocate, embraced a raft of minority causes, identifying with indigents and immigrants, progressives and underdogs well beyond America — from the guerrilla fighters for a Jewish home state to the diehard rebels of his beloved Ireland.

Mr. O'Dwyer was an enduring if rarely elected politician who impressed successive generations as an eloquent battler in the name of conscience. Arriving in America at age 18, he labored up from dock work and garment packing to become one of New York's leading defenders of the underclass.

"The ideals should always come first," Mr. O'Dwyer counseled in a long public life steeped in voluntary civil-rights battles and vociferous challenges of the political establishment.

Elected twice to the New York City Council, he seemed more at home in the politics of the outsider. As an Irishman who had lived under British occupation, he heartily joined the ongoing American struggle against prejudice suffered variously by Jews, blacks, women and the very latest immigrant wave.

"Politics is the only machinery around on which you can really straighten things out," he said in his softly unyielding brogue.

A fleet, unapologetic gadfly, Paul was the antithesis of his older brother William, who rose from the police force to become an urbane master of machine politics as Mayor of New York from 1946 until 1950, when scandals shook his administration. The O'Dwyers moved separately on the crest of Irish-American political power before it faded in the city.

Paul O'Dwyer far outlasted his brother "Bill-O" in public life, fighting for the labor movement and embattled immigrants in the 1940's, against McCarthyism and racial segregation in the 50's, and against the Vietnam War in the 60's. In the antiwar movement, he stood as a patriarchal exception in the eyes of young pacifists intent on trusting no one over 30.

aged the campaigns of several. He was credited by Mayor David N. Dinkins with salvaging his career by coaxing him back into public life after Mr. Dinkins had earlier been forced to resign a city job because of his failure to file income tax returns from 1969 to 1972.

"As a young person, impressionable, I almost forgot who I was, as the Irish often do here," Mr. O'Dwyer once commented on the roots of his desegregation fervor. "Because you are white you think you will be treated equally. I was corrected by my brothers, who were here ahead of me."

He rued the fading of an era when "Irish Catholic" was synonymous with "liberal Democrat," and told the joke about a tenement clubhouse boss scandalized at the news that O'Brien had turned Republican. "That's a damned lie," the boss thundered. "I saw O'Brien at Mass last Sunday."

As a civil libertarian, Mr. O'Dwyer tapped into vivid memories from his Irish childhood of insurrection against British occupation forces. "The Black and Tans used to drive through the town, shooting it up," he said, recalling the rampages of the British auxiliary police. "It wasn't too different from Mississippi."

Defended Berrigan And Bricklayers

A florid-faced, articulate bantam, Mr. O'Dwyer successfully argued before the Supreme Court for the right of mainland Puerto Ricans to take their voter literacy test in Spanish. In 1972, he stood in defense of a pacifist group called the Harrisburg Eight, led by the Rev. Philip F. Berrigan, and won them a mistrial on charges of an anti-Government plot against the Nixon Administration during the Vietnam War.

No less fervently did he represent uncelebrated sandhogs, hod carriers and warehouse clerks in formative trade union years when, he recalled, "strikebreaking and union-busting remained widespread and brutal." He carried a union card in Local 975 of the International Longshoremen's Association. In 1968, he declined to cross a wildcat picket line outside a television studio when he was a Senate candidate, telephoning the apoplectic interviewer to explain, "These are my people."

Mr. O'Dwyer accepted the role of the city's Commissioner for the United Nations during the Dinkins administration. But soon he was boycotting the U.N. cafeteria for its anti-

As a lawyer, Mr. O'Dwyer became a principal in one of the city's flagship immigrant law firms, O'Dwyer & Bernstien. He began as a clerk to Oscar Bernstien and worked his way to senior partner. From the firm's offices in the financial district, Mr. O'Dwyer helped build the business but found time for assorted challenges to social injustice, typically without fee. He soon was respected as one of the city's sharper-tongued liberals.

"If I thought at the end of the year that all I did was make a living, I'd regard it as a pretty incomplete year," he said of his rich life as an agitator within the system.

"If I've had any success at all, it's been in large measure from listening to young people," said Mr. O'Dwyer, whose eagle-like visage — a dark-eyed glare and shock of prematurely white hair — stood out in the thick of any battle.

Leading a Welcome For Gerry Adams

Even in decline he stayed keen for political justice. In 1994, he beamed from a wheelchair and led the welcoming cheers when Gerry Adams, the Northern Irish republican political leader, was finally allowed into the United States to plead his grievance against Britain. Mr. O'Dwyer was the national coordinator for the American League for an Undivided Ireland.

He ran 12 times for elective office in campaigns noteworthy for threadbare war chests and left-liberal agendas, daring to call for decriminalizing drug addiction in one. His two successes were in 1963, as Councilman at Large in Manhattan, and 1973, as City Council President, a post in which he made sure to alter the city's official founding date from 1664, when the British landed, to 1625, when Dutch settlers arrived. In six total years in office, he instigated numerous causes, including an uphill battle in 1965 to raise the city's minimum wage to \$1.50 an hour.

Mr. O'Dwyer's abiding comfort was in the good fight. Losing to Carol Bellamy in a 1977 bid to remain Council President, he said, "I fought for a lot of civil rights 25, 35 years ago, including women's rights, and I'm in poor shape to complain if I find myself in the way of the machinery that I myself helped set in motion."

He offered a decidedly Irish smile



Paul O'Dwyer, top, was advocacy for the underdog right with Paul in 1957,

of bemusement when critics on his antiwar activity and dismiss him as a single-issue politician.

"The one issue is fair play for a lifetime," Mr. O'Dwyer amended.

His wife of 45 years, Kathleen Rohan, died in 1994. He married Patricia Hanrahan, the upstate chief of Governor Cuomo's women's division, who lives him, along with four children from his first marriage: Anthony; Rory, of Fort L.

An ally of Senator Eugene J. McCarthy in the successful antiwar challenge to President Lyndon B. Johnson's renomination in 1968, Mr. O'Dwyer scored an upset victory himself in the New York Democratic Senate primary that year, but lost in the November election to Senator Jacob K. Javits.

"We were taking a country engrossed in an immoral war," he declared afterward, pounding the arm of his chair in celebration of that struggle. "We were changing this nation. By God, we did it. We did do it."

He could make a rampart of a legal brief, too, successfully litigating a landmark 1951 fight against the powerful Metropolitan Life Insurance Company. That suit opened the way for blacks to live in Stuyvesant Town, a huge Manhattan housing complex, and presaged an era of desegregation across the nation.

Mr. O'Dwyer honed his courtroom skills suing insurance companies in negligence cases. But his outside interests were his larger life: He successfully defended Kentucky miners accused of blowing up a bridge in a union dispute, just as he won acquittal of a black teen-ager accused of homicide in a New York City riot in the mid-60's. He sued City Hall to force more budget money into public transit for the working class, just as he defended an unpopular union chief during a city garbage collection strike. In 1958, he joined with Eleanor Roosevelt and Herbert H. Lehman, the former Governor, to found the Committee for Democratic Voters, the state party reform movement.

But his outspokenness for minority causes helped deny him a mainstream role in politics. As president of the New York chapter of the National Lawyers Guild, Mr. O'Dwyer was denounced as a radical for angrily challenging Red-baiting assaults on civil liberties by politicians who were intent on searching for Communist leanings among teachers and other government workers.

"When you come from the period of, first, the Depression and then the McCarthy era," he explained, "if you survive that, then you're less likely to be cautious expressing yourself."

Paul O'Dwyer was among the first volunteers litigating in Deep South integration struggles. "It was like a present on Christmas morning," he enthused about his participation. He was also gladly troublesome as a delegate to the 1964 Democratic National Convention, leading the fight to see the black Freedom Democratic party of Mississippi represented. Personally close to a generation of black politicians, Mr. O'Dwyer man-

Born June 29, 1907, in the village of Bohola, County Mayo, in western Ireland, Peter Paul O'Dwyer was the 11th and last surviving child of Patrick and Bridget McNicholas O'Dwyer. They were schoolteachers who raised their family in Ireland's grim potato economy, packed into a rude house without plumbing. He later endowed a home for the handicapped on his family home site.

"I sprang from the 'shabby genteel,'" he once said with a smile, using Eugene O'Neill's qualification for the striving Irish poor. Paul O'Dwyer counted himself fortunate for the high school education he received before having to follow four older brothers to New York in the age-old immigration of young Irish to opportunity.

He soon picked up on the politics of Jefferson and Paine after finding clannish lodgings in Mrs. Maguire's Irish boarding house at West 103d Street and Columbus Avenue in Manhattan. Landing a paying job within two days — a touch of clubhouse patronage via brother "Bill-O" — he moved fast on the classic immigrant's route to betterment through night school, first at Fordham University, then at St. John's Law School in Brooklyn.

So fast did he move that he had to obtain special permission from Chief Judge Benjamin Nathan Cardozo of the New York Court of Appeals to take his bar exam in 1929, four years after arriving from Ireland and two years before he could receive citizenship. In 1931, Paul O'Dwyer became America's newest citizen-lawyer, ringing with the impulses of Thomas Paine. "He sounded simple and logical to my young mind," Mr. O'Dwyer explained.

Anti-Semitism in college fraternities had bonded him to Jewish friends, he recalled in his 1979 autobiography, "Counsel for the Defense." "And the Kings County Young Democratic Club thenceforward was made up of 35 Jewish classmates and me," he noted proudly.

It followed naturally that he was involved in the cause of a Jewish homeland in 1946 by arranging for the illegal entry of Holocaust survivors to Palestine and by aiding the gun-running operations of the Irgun militants fighting the British in the Holy Land. The next year, as chairman of the Lawyers' Committee for Justice in Palestine, he pleaded at the United Nations for Israeli sovereignty.

Successfully defending an admitted Jewish gun-runner in New York in 1948, Mr. O'Dwyer told the court, "He was only doing what every other freedom-loving person would be doing."

Musa, Inc. a cultural organization in NYC. Aethusa sponsored Pirandello's play "The Pleasure of Honesty" at Clark Theatre, Lincoln Cir. and Comedia Dell'Arte. Lecture series are "Sicily: Crossroads of Western Civilization" and "The Grand Tour: Journey to Italy" sponsored by the NY Council on the Humanities. Survived by husband, mother and two brothers. Wake Thursday, 4 to 8 P.M. Funeral Friday 10 A.M. at Church of Notre Dame, 405 West 114 St. Donations to Central Park Conservancy, 14 E. 60 St. NYC 10022.

AMARI-GARG—Marina. It is with profound sorrow that we extend our sincere condolences to Arvind and her devoted family. She will be missed and dearly remembered by all.

Jo Sigliano and family

AYRES—Eda Maria, 71. Following a long illness. Beloved wife of Morgan Wilcox Ayres. Loving mother of Peter Morgan Ayres, Christopher John Ayres, Leslie Ayres Seiden, Timothy Michael Ayres, John Morgan Ayres, Jacqueline Ayres Powers and David Jonathan Ayres and grandmother of 4. Visiting 3-5 and 7-9 PM Friday, Whittington Funeral Home, Inc. Glen Head, New York. Funeral service 8 PM Friday at the funeral home. Interment private. Contributions may be made to the establishment in her name of a rural health center in Rwanda, Africa to aid impoverished orphans, at Amahara Advocacy Clinic & Shelter, 872 Massachusetts Avenue, Suite 2-2, Cambridge, MA 02139.

BERENBERG—Rose. Died May 18, 1998. Loving mother of Barry; cherished grandmother of Jon & James. Shiva was held by son.

DENERSTEIN — Loretta. Most cherished and adored mother of June Silver, Susan and Harris Amster and Loretta Friedman. Adored by her grandchildren, James Silver, Louis and Stephanie Bell, Mark Bell, Eric and Lori Friedman, Kent & Ilene Friedman, Jason and Johanna Friedman, Ian Friedman, Elliot and Fern Amster, Holly & Zeevik Nosatzki. Adoring great grandmother of Samantha, Jonathan, Ezra, Rachel, Hope, Ashley, Roxxy, Samantha, Sydney, Shai, Ailie and Keshel. We were blessed to have this remarkable woman in our lives. She will live in our hearts forever. Services are at 10 A.M. Friday, Plaza Memorial Chapel, 91 Street and Amsterdam Avenue. Visiting on Thursday, from 7-8:30 P.M.

DENERSTEIN—Loretta. You were the very first one that we ever loved and the first one who ever loved us.

Your girls, June, Susan and Loretta

DORDEVIC—Bozidar. We mourn the loss of our dear friend "Boi". He was a man of dignity, integrity, passion and compassion, and we will miss him greatly. We extend our deepest condolences to his family.

Leslie and Marjory Steinweiss and the Staff of Julius Cohen Jeweler

FRIEDWALD—George. On June 23, 1998 of Hollywood, FL, formerly of Woodmere, NY. Adored and adoring husband of Sandra Bernman, beloved father of Andrew and Marc (Zilla) Breakstone, cherished grandfather of Reza, Simon and Jasmin Breakstone, dear brother of Mina (Dr. Bernard) Kulick, dear brother-in-law of Harvey (Helen) Bernman, Martha Bernman Lipa and M. Robert Steel.

GOLDBERG — Mildred. Beloved wife of the late Isidore (of W.H. Foods). Loving mother of Michael and the late Joseph. Mother-in-law of Marion and grandmother of Larry and Ellen. Services "Boulevard-Riverside," 1450 Broadway, Hewlett, L.I. 1030 AM, Friday.

HERWOOD—Anne L. Age 89. On June 23, 1998. Beloved mother and mother-in-law of Sandra and Brian Abbott. Devoted grandmother of Eric L. Abbott, Esq.

be remembered with admiration and affection by his many friends and his loving son, daughter-in-law and grand-daughter, John Jr., Christina and Margot.

KAUFMAN—Lottie. On June 20, 1998. Loving mother of Arthur and Norman. Sister of Florence and Lil. May her memory be blessed.

KELLY—William F. Jr. On June 23rd, 1998. Beloved husband of Margaret, loving father of Margaret, William, Kevin and Kelley. Cherished grandfather of seven. Retired detective of the NYPD for twenty years and NBC for sixteen years. Dedicated member of the Knights of Columbus & the NYPD Holy Name Society. Reposing at the Frederick Funeral Home of Flushing, Northern Blvd at 193 St. Visiting hours Thursday & Friday, 2-5 and 7-10 PM. Funeral Mass on Saturday 10 A.M. Holy Family RC Church, Interment Mt. St. Mary's Cemetery, in lieu of flowers donations to Holy Family Church.

LEVIN—Suzanne. Loving wife of the late Herbert. Beloved mother of Judy and Matthew. Dear sister of Lawrence Baker. Longtime friend and colleague of the staff of Pederson-Krog Center. In lieu of flowers, donations to Pederson-Krog Center, Huntington, New York. Services June 26, 11:30AM at I.J. Morris, Inc., Dix Hills, NY.

LOWENSTEIN—Joseph S. On June 23, 1998 after a courageous battle with cancer. Son of the late Salomon and the late Sylvia. Best friend and brother of Steve and brother-in-law of Inge. Admired uncle of David and Michael Lowenstein. Much loved nephew of Ruth Ciner. Devoted cousin of Joe Lowenstein, Jane Michaels, Liz Schaff, Johnny Ciner, Jimmy and Helene Altschul. Friends may call at Frank E. Campbell, 1076 Madison Ave. at 81 St. Thursday & Friday 7-9PM. Service at Frank E. Campbell, Sunday, June 28th at 2:30PM. Interment private.

LOWENSTEIN—Joseph S. The Board of Directors, administration and staff of the CNR Health Care Network note with sorrow the passing of Joseph S. Lowenstein, beloved brother of our Board vice president, Stephen Lowenstein and son of the late Salomon and Sylvia Lowenstein, benefactors of our Lowenstein Alzheimer's Adult Day Care program. Our sincerest condolences to his entire family.

Kenneth Fuld, Chairman, Board of Directors
Michael S. Fessler, Executive Vice President
CNR Health Care Network

LYON—William W. died June 23rd, in Delray Beach, Fla., formerly of Scarsdale, NY, and New York City. Retired senior vice president of the Irving Trust. Survived by his wife, Nina M. Lyon; son, William W. Lyon III of Robert Park, Calif., and brother, Peter Lyon of Center Traftonboro, NH.

MOGILNER—Leonard. M.D. The Medical Staff of Maimonides Medical Center records with deep sorrow the death of Dr. Leonard Mogilner. Dr. Mogilner was affiliated with Maimonides Medical Center in the Pediatric Department for many years. He was loved and admired by all his patients, friends and colleagues. He will be sorely missed by all. Sincere condolences are extended to his family.

Warren Wexlerman, M.D., Pres.
Jacob Shani, M.D., Pres. Elect
David Feldman, M.D., Secretary
Salvatore DeGluomini, M.D., Treasurer

MOGILNER—Dr. Leonard. Congregation Kehilath Jeshurun, its Men's Club and Couples Club mourn the passing of the beloved father of their devoted member, Dr. Alon Mogilner, and extend heartfelt condolences to all the members of the bereaved family.

Rabbi Haskel Lookstein
Fred Distenfeld, President

Denerstein, Loretta
Dordevic, Bozidar
Friedwald, George
Goldberg, Mildred
Herwood, Anne
Hulse, John
Kaufman, Lottie
Kelly, William
Levin, Suzanne

MOND—Saul. On June 23, 1998. Beloved husband of Gertrude, late Sophie Fartel, Helen Goldstein and Loving brother-in-law and Wilfred Birn, uncle, grand uncle, grand uncle and Groveside service 11:00AM at Cedar Park Mausoleum, New Jersey.

OWDYER—Paul. On June 24, 1998. Visiting the Donovan Funeral Home, 1076 Broadway, NYC, Friday 12 noon to 8 PM, 81 St. NYC. Mass Sat, 10 AM, at Church, 82 St. NYC. He is private at the time of his family in Ireland.

OWDYER—Paul. The Charles Lawrence Ciaro Miller Foundation sadly saddened by the passing of our founding member, Paul O'Dwyer. A singular force in politics, his life both here and O'Dwyer devoted his life to the causes of freedom, peace. We offer a love to his family, to those who were touched or inspired, and to the thousands of organizations and organizations Paul O'Dwyer's legacy.

OWDYER — Paul. Lawyers Guild, N.Y. Chapter, honors the life of our former early and uncompromising promoter of social justice, matched by his worldwide stretching Ireland to Vietnam. His legacy is listed in the fight for our love to his family. Risa Gerson and Annette

OWDYER—Paul. School of Law with great sadness: our beloved friend Paul O'Dwyer. He is an inspiration honored to be the Paul O'Dwyer Fellowship which will carry on his peace and justice sympathies to his law, Pat, CUNY Law valued member & visitors. Kristin B.

OWDYER—Paul, a true friend. Y as an advocate of children who I love. You now take history as one of the cons of the Twenty will miss you deep. Carole and The O

OWDYER—Paul. To have been one young activist to become a life friend that made a better place every day. Love Brian, Rory and family.

OWDYER—Paul. Brehon Law Soc for the poor and hearts of his friends.

ral Battler ies at 90

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William E. Sauro/The New York Times, 1976



Paul O'Dwyer, top, was known for his leonine face and equally ferocious advocacy for the underprivileged and hated. His brother William, above right with Paul in 1957, was Mayor of New York from 1946 to 1950.

of bemusement when critics focused
on his antiwar activity and tried to
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cian.

"The one issue is fair play over the
period of a lifetime," Mr. O'Dwyer
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His wife of 45 years, the former
Kathleen Rohan, died in 1980. In 1984
he married Patricia Hanrahan, then
the upstate chief of Gov. Mario M.
Cuomo's women's division. She sur-
vives him, along with four children
from his first marriage: William, of
Albany; Rory, of Fort Lauderdale,

Fla.; Brian, of Manhattan, and Ei-
leen O'Dwyer Hughes of New York.
He had eight grandchildren and
three great-grandchildren.

Mr. O'Dwyer long tried to per-
suade his wife, Patricia, to restake
the family flag in elective politics.
She finally agreed this year, and he
lived to see her running for the 95th
State Assembly District in Orange
County, true to his favorite line of
Yeats:

That I may seem, though I die old,
A foolish, passionate man.

D. D. Thomas, 85; Led Effort to Build Air Traffic System

By WOLFGANG SAXON

David Duval Thomas, a principal
architect of the country's air-traffic
control and safety system, died on
June 17 at Inova Fairfax Hospital in
Northern Virginia. He was 85 and
lived in Annandale, Va.

Mr. Thomas, a pilot for more than
30 years, retired in 1970 as deputy
administrator of the Federal Avia-
tion Administration. Mr. Thomas
was a frequent spokesman for the
agency on air safety and accidents,
and for much of his career, he over-
saw the nation's network of civilian
air-traffic control centers and its en-
try into modern technology.

Mr. Thomas, who was born in New
Castle, Tex., studied mechanical en-
gineering at the University of Ten-
nessee and business administration
at George Washington University.

He entered Federal service in 1938
as an air-traffic controller in Pitts-
burgh and filled various field assign-
ments for the Civil Aeronautics Ad-
ministration, a forerunner of the
Federal Aviation Administration.

In 1946, he moved into policy-mak-
ing positions in Washington as a
planning officer in the C.A.A.'s traf-
fic-control office; by 1956, he was
named director of the office. When
the Federal Aviation Administration
was formed two years later, he took
charge of its Air Traffic Service.

In 1963, as associate administrator
for planning, he was responsible for
planning and coordinating the oper-
ating programs for air traffic, flight
standards, airports and systems
maintenance. He was appointed de-
puty administrator in 1967.

President John F. Kennedy hon-
ored Mr. Thomas in 1963 with an
Award for Distinguished Civilian
Service, which recognizes exception-
al achievement. He also received the
Rockefeller Public Service Award
from Princeton University in 1966,
an award celebrating "unsung her-
oes," meaning Federal officials who
perform important functions behind
the scenes. In Mr. Thomas's case, he
helped create a nationwide air-traf-
fic tracking system and supervised
its evolution from radar into the
computer era.

Mr. Thomas is survived by his wife
of 60 years, Dorothy Clark Thomas;
a son, David C., of Fairfax, Va., and
two grandchildren.

More obituaries
appear on the next page.

Greblick 11/1
PMS
6/22/98
BC Sig for Eugene
updated 7/7
Cesner
BZ

gift unit

WHITE HOUSE
WASHINGTON

July 8, 1998

Mr. and Mrs. Jay Greblick
Post Office Box 7128
St. Thomas, Virgin Islands 00801-0128

Dear Dolly and Jay:

Thanks so much for the beautiful needlepoint of Buddy. It is yet another wonderful reminder of our visits to the Virgin Islands. You know how much we appreciate your kindness and hospitality when we are there.

We send our best wishes.

Sincerely,

Bill Clinton

White House Gift Record

Presented: 06/09/98
Arrival : 06/09/98
Entered : 06/09/98

Gift ID: 417416/bzb

Gift #

Donor Information

Mr. and Mrs. Jay Greblick
Post Office Box 7128
Charlotte Amalie, St. Thomas, VI 00801

Acknowledged By: BC Gift Draft

Comments:

BC.sig per Eugenie Bisulco. First Family stayed at their house during New Years 1998 vacation.

Gift Information

Intended: First Family

Disposition: Archives
Archive Box : 980312

Description:

19" x 22" wooden framed and matted
needlepoint of Buddy, with a brass
plate on the bottom of the frame that
reads "Buddy."

Location of Gift:
The gift is in Archives.

Total Gift Value: \$50

6/6/98

Dear Bill, Hillary and Chelsea,

As a reminder of your visits to Sand Dollar we thought you would enjoy this needlework of the newest member of your family, Buddy.

We look forward to welcoming all of you this coming January to our tropical retreat in "America's Paradise" hopefully for a longer period with time to enjoy our islands and its people.

Fondest regards,

Dolly & Jay

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

7-09-98

July 9, 1998

MR. PRESIDENT:

Erskine wanted you to have the attached Sperling memo tonight. In it, Gene passes along Secretary Rubin's recommendation that Erskine call Senator D'Amato to reiterate that you'll veto H.R. 10, the financial modernization bill as passed by the House in May. The idea is to chill D'Amato's efforts to mark-up/move to the floor a parallel Senate bill, while preserving your option to sign modified legislation.

Background. As you know, we opposed H.R. 10 on two primary grounds: (i) it would reduce the Executive branch's regulatory influence over financial institutions by providing incentives for financial services firms to do business under a Federal Reserve-regulated structure (*i.e.*, a holding company affiliate) rather than under an Treasury-regulated structure (*i.e.*, an operating subsidiary); and (ii) it would hinder the Community Reinvestment Act (CRA) because assets of holding company affiliates wouldn't count toward CRA obligations.

Views. The bottom line: all of your advisers (*Rubin, Erskine, Gene, Jack Lew, Larry Stein, Janet Yellen*) support a clear veto threat, though most express various issues/concerns, which Gene lays out in detail. Erskine is okay with making the call; he'd prefer to negotiate a bill that you could sign, but believes you must first make clear your intent to veto H.R. 10.

Proceed with Call ☒Let's Discuss ☐Phil Caplan
Sean MaloneyCopied
Sperling
Bowles

98 JUL 9 PM 8:48

THE WHITE HOUSE
WASHINGTON

July 9, 1998

THE PRESIDENT HAS SEEN

7-15-98

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING

RE: STRATEGY ON FINANCIAL MODERNIZATION

Decision Requested

Secretary Rubin recommends that Chief of Staff Bowles call Senator D'Amato to clarify and reiterate that you would veto H.R. 10, the bill passed by the House in May, or one close to it. The call would be designed to "de-energize" D'Amato's efforts to mark-up a parallel bill and move it to the Senate floor. The message can be sent without limiting your flexibility to subsequently sign a bill if it differs from H.R. 10 in some respects, even if it does not satisfy all of the Treasury's concerns. Senior advisors believe that such a call could be helpful and might prompt D'Amato to give up on moving the legislation this year. At the least, it might prompt him to try to change the bill to produce something that would fail to meet all Treasury's concerns but would address more of the banking industry issues and you could reluctantly sign.

BackgroundHouse Consideration of H.R. 10

On May 13, 1998, the House passed H.R. 10 by a vote of 214-213. The Republican leadership obtained some Democratic support by incorporating amendments sponsored by Rep. John Dingell dealing with consumer disclosure for securities. The strong opposition to the bill came from most of the banking industry, community groups, and the Administration, which said that the Secretary of the Treasury would recommend that the President veto the bill.

The Administration's key concerns with H.R. 10 are:

- (1) **Operating Subsidiary vs. Holding Company Affiliate:** H.R. 10 prohibits the use of an OCC-regulated bank operating subsidiary for most nonbank activities, requiring instead that such activities be performed in a Federal Reserve-regulated bank holding company affiliate. The Administration supports giving firms a choice. Safety and soundness can be adequately met in either structure. Moreover, banking policy is a key aspect of economic policy; by providing incentives for financial services firms to do business under a Federal Reserve-regulated structure rather than under the OCC-regulated structure, the bill reduces the Administration's ability to shape economic policy--Treasury wants to emphasize that the Executive branch's loss of regulatory influence over financial institutions will greatly impair our economic policy making capacity.

- (2) **CRA Reach and Effectiveness:** H.R. 10 will prompt new non-bank activities to be performed in bank holding company affiliates, placing the related assets outside of the bank, where they cannot be counted toward the calculation of bank Community Reinvestment Act obligations. This structure wastes an important opportunity to expand the resources devoted to community development and weakens regulators' leverage in enforcing existing CRA obligations.

Banking industry opponents share the Administration's concern about flexibility to use the operating subsidiary structure, but are primarily motivated by concern that the bill encourages discrimination against insurance and securities firms that are affiliated with banks, thus putting banks at a competitive disadvantage in forming multi-functional firms. Community and consumer groups also oppose the bill, fearing bigger and less responsive financial institutions. Their objections, however, would apply equally well to the Administration's own proposal.

Senate Action

Observers initially thought it unlikely that D'Amato would make an effort to mark-up legislation on this contentious issue late in a shortened election year. However, after two weeks of hearings in June, few can confidently predict the Chairman's next step. During the hearings, he repeatedly complained that the Administration and Federal Reserve were unable to compromise on what he perceived to be turf issues. He argued that there was too much attention to who would have regulatory responsibility and inadequate attention to maintaining global competitiveness for U.S. firms. The hearings also demonstrated that there is little support on the Senate Banking Committee for the Administration's position on key issues, especially on providing the choice of the operating subsidiary structure.

Rubin Recommendation

Secretary Rubin fears that Senator D'Amato does not believe that your senior advisors will advise you to veto this legislation. A call from the Chief of Staff would clarify that the White House supports the efforts of Secretary of the Treasury on this bill. If Senator D'Amato thinks that the bill will not become law, it may reduce his willingness to devote additional time to it during his own reelection campaign.

While Secretary Rubin believes that good financial modernization legislation would be good for the country, he is convinced that no bill is better than a bad bill. There is no crisis that argues for passage of a flawed measure. Although existing law makes it cumbersome to merge banking, securities, and insurance firms, American firms are not greatly inhibited from innovating and becoming more competitive. For example, the Citicorp-Travelers merger is permissible under current law, although they may have to divest the insurance underwriting business unless a bill passes in the next two years.

Flexibility

Secretary Rubin recognizes that the Senate might address the remaining concerns of the banking industry about discrimination against bank-affiliated insurance and securities activities but fail to address Treasury's concern about operating subsidiaries. In that case, it would be very difficult

for you to threaten to veto the bill in the face of likely overwhelming industry support. However, the Secretary believes that the Chief of Staff could be clear about an intent to veto the current bill, without limiting your flexibility to later support the measure if such changes are made. The Chief of Staff could simply tell Senator D'Amato that, given the concerns expressed by the Treasury Secretary, the banking industry, and community and consumer advocates, the President would not hesitate to veto a bill in the form of H.R. 10.

Other Views

You may recall that Janet Yellen has long concurred with Federal Reserve Chairman Greenspan, who argues that the bank holding company affiliate structure poses somewhat less risk to the safety and soundness of financial institutions and less danger of giving non-bank activities the benefit of an implicit subsidy from the federal safety net. She also argues that H.R. 10 threatens neither the national bank charter nor CRA. Despite her personal view, she has acquiesced to Secretary Rubin's recommended approach.

Larry Stein concurs with the recommendation. He notes that the Senate schedule suggests that it is unlikely that Senator Lott would bring such a complicated and controversial bill to the floor this year. However, there is growing pressure for him to do so, both from private interests and political advisors who feel that passing such historic legislation would help counter a "do-nothing Senate" charge. Larry also is concerned that our substantive position on the bill is now shared by few Senators, even Democrats, and that we need a chance to better educate members as to our valid concerns.

Jack Lew and Gene Sperling concur with the recommendation. They find the Treasury critique of H.R. 10 compelling, but also agrees with Secretary Rubin that it would be difficult to sustain a veto if the Senate were to address the remaining concerns of the banking industry (particularly since such an amended bill would represent -- in Lew's judgment -- a modest improvement over the status quo). Overall, Gene Sperling is supportive of Treasury's position, however if the CRA concern could be mollified he would be more open to compromise.

Erskine Bowles is fully prepared to make the call to Senator D'Amato that Secretary Rubin wants him to, if that is your wish. While Erskine's personal preference would be to try and negotiate a bill that you could sign so you could get credit for reforming the U.S. financial system to meet the challenges of the 21st century, he accedes to Bob Rubin's position that the only chance of accomplishing that objective is to state now that we will veto HR 10. Bob believes that reaching agreement on the Op sub issue would lose the Federal Reserve, so the probability is high that our two objectives cannot be reconciled in the short time remaining this year. Therefore, Erskine agrees with Bob that we should make clear our intention now to veto this bill. (Bob Rubin advises that our disagreement with the Fed on this issue has not had any negative effect on our overall excellent relationship with the Fed.)

Decision Requested

_____ **PROCEED AS RECOMMENDED**

_____ **LET'S DISCUSS**