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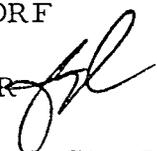
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THE WHITE HOUSE

WASHINGTON

November 7, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: JAMES E. CONNOR 
SUBJECT: Lud Ashley/New York City Legislation

Confirming a phone call to your office this morning, the President has reviewed your memorandum of November 6 on the above subject and the following notation was made:

"Hold up any answer until Monday until I see Sen. Mansfield et al."

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

Hold up any money
until Monday until 2
see Sam Mansfield et al.

THE WHITE HOUSE

WASHINGTON

November 6, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX FRIEDERSDORF *m.f.*
SUBJECT: Lud Ashley/New York City Legislation

The attached letter to the President from Lud Ashley was picked up in the Congressman's office this afternoon at his request.

He requested that I bring it to your personal attention and indicated that the contents would not be disclosed publicly.

He said that he hoped that you could personally consider his recommendations and let me know what you think.

In either case the Congressman indicated that your decision would be considered confidential in every regard.

I have sent a copy of this to Bill Seidman for draft response and informational copies to Jack Marsh, Alan Greenspan, and Dick Cheney.

COMMITTEES:

BUDGET
BANKING, CURRENCY AND
HOUSING
MERCHANT MARINE AND
FISHERIES

Congress of the United States

House of Representatives

Washington, D.C. 20515

November 6, 1975

DISTRICT OFFICE:
FEDERAL BUILDING
234 SUMMIT STREET
TOLEDO, OHIO 43604

Honorable Gerald R. Ford
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

Several months ago you and I worked together to find a solution to the housing and mortgage assistance legislation and the result, I know you'll agree, was much in the national interest. I am writing in the same spirit relative to the New York City situation and you may be sure, in this regard, that the contents of this communication will remain strictly between you and me.

I understand fully the position you stated in your address to the National Press Club and specifically your promise to veto any bailout of New York City. Without any self-serving comments on the bill that my Subcommittee produced, I can honestly say that it was in large part drafted with your expressed views in mind. While the bill provides authority for pre-default guarantees, it does so on a discretionary basis, not mandatory. Equally important (more important, really), the bill provides authority for post-default Federal guarantees in the event these are needed to assure the provision of essential public services.

Mr. President, my judgment is that authority for post-default guarantees will be essential. Assuming that default takes place and that the bankruptcy law is amended as you recommended, we can expect that the court will promptly authorize the issuance of certificates of indebtedness, as you outlined. But even with the priority position of these certificates, there is no real prospect that they will be wildly welcomed in the marketplace. Quite the contrary. Unless the yields are astronomical, banks and other investors -- many of them already on the hook -- simply won't take a chance, particularly in this day of shareholder and fiduciary lawsuits. They will wait for the Federal guarantee -- knowing the wait won't be long.



Nor will it be. You recognized that essential public services -- however defined -- must be provided, even if it means Federal assistance. At that juncture, guarantees become a lot more palatable than a bailout at the direct expense of the American taxpayers. My point here is simply that neither you nor Congress can mandate the City, the State, investors or the court to assure that the cash flow of New York City, after default and bankruptcy, will be sufficient to meet all immediate requirements. That, of course, is why you bespoke of the issuance of certificates of indebtedness.

My last point. On this issue, in my opinion, you can win in the Congress and lose in the country. Clearly you can either see that the House bill is defeated or veto it to oblivion. But if you do either, and if New York City subsequently requires Federal help by your own standards, your access to the Congress then will be on terms and at a price which we both understand.

Under the circumstances, Mr. President, isn't it possible for you to accept, or to use as a discussion point, my bill which not only satisfies the essentials of your Press Club speech but imposes conditions on New York City aid at least as severe as those that can be expected from a bankruptcy court? I ask this in good faith, believing that you have far more to lose (certainly than the Congress) if your assessments of a New York City-State default should prove to have been underestimated, which many of your best supporters fear will be the case.

Unlike the housing/mortgage bill of earlier this summer, I think the time for accord in this matter is now rather than after the fact, i.e., passage/defeat/veto.

I write this to the first friend I've had in the White House in a good long time.

Sincerely,



Thomas Ludlow Ashley, M. C.

TLA:sr

Congress of the United States

House of Representatives

Washington, D.C. 20515

OFFICIAL BUSINESS

Thomas Hudson Buckley
M. C.

Honorable Gerald R. Ford
President of the United States
The White House
Washington, D. C. 20500