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MEETING WITH THE PRESIDENT
TUESDAY, November 18, 1975
The Cabinet Room
3:00 p.m.

Re: NYC



MAY 14, 1975

Office of the White House Press Secretary
-----THE WHITE HOUSETEXT OF THE LETTER FROM THE PRESIDENT
TO THE MAYOR OF NEW YORK CITY
THE HONORABLE ABRAHAM BEAME

Dear Abe:

The purpose of this letter is to respond to your and Governor Carey's request to me for my support for Federal legislation which would enable the City of New York to use the credit of the United States for a period of 90 days and in the amount of \$1 billion.

As you and Governor Carey explained it to me, this 90-day period would enable the City to bridge the period needed for the New York State Legislature to act upon your request for increased taxing authority and subsequently enable you to submit, and the City Council to adopt, a balanced budget for the fiscal year beginning on July 1, 1975.

I was deeply impressed with the problems you and the City Council must face in the next few weeks in meeting the financial problems of the great City of New York. I was also deeply impressed with the difficult steps confronting you to eliminate the extraordinary imbalance between current revenues and current expenses. However, it was also clear that the City's basic critical financial condition is not new but has been a long time in the making without being squarely faced. It was also clear that a ninety day Federal guarantee by itself would provide no real solution but would merely postpone, for that period, coming to grips with the problem.

For a sound judgement to be made on this problem by all concerned, there must be presented a plan on how the City would balance its budget. This, given the amount involved to accomplish that balance, would require an evaluation of what the City can do through curtailment of less essential services and subsidies and what activities the City can transfer under existing state laws to New York State.

Fiscal responsibility is essential for cities, states and the Federal Government. I know how hard it is to reduce or postpone worthy and desirable public programs. Every family which makes up a budget has to make painful choices. As we make these choices at home, so must we also make them in public office too. We must stop promising more and more services without knowing how we will cover their costs.

I have no doubt that the adoption of sound budget policies would have a substantial and beneficial effect in both short and long term credit of the City of New York.

More specifically, in regard to your request to me for support of Congressional legislation to provide Federal backing and guarantee of City debt, I believe that the proper place for any request for backing and guarantee is to the State of New York. For such "bridge loan legislation", it seems to be both logical and desirable for the State of New York to arrange under its laws a "bridge loan" to the City in the amount that you estimate will be needed during the City's fiscal year.

(MORE)



In view of the foregoing considerations, I must deny your request for support of your Federal Legislative proposal.

I have asked Secretary Simon to follow closely the credit situation of the City of New York over the next few weeks, and to keep me informed.

The Federal Reserve Board, under its statutory responsibilities, will, I am sure, likewise monitor the situation very closely.

Sincerely,

GERALD R. FORD



Roger Porter
Pres. address
NYC

ADDRESS TO THE NATIONAL PRESS CLUB

OCTOBER 29, 1975



TODAY I WANT TO TALK TO YOU ABOUT A MATTER OF
CONCERN TO ALL AMERICANS.

NEW YORK CITY, WHERE ONE OUT OF EVERY 25 AMERICANS
LIVES, THROUGH WHOSE "GOLDEN DOOR" UNTOLD MILLIONS HAVE
ENTERED THIS LAND OF LIBERTY, FACES A FINANCIAL SHOWDOWN.

THE TIME HAS COME FOR STRAIGHT TALK -- TO THESE
EIGHT MILLION AMERICANS AND TO THE OTHER 206 MILLION
AMERICANS TO WHOM I OWE THE DUTY OF STATING MY CONVICTIONS
AND CONCLUSIONS, AND TO YOU, WHOSE JOB IT IS TO CARRY
THEM THROUGHOUT THE NATION AND AROUND THE WORLD.



THE TIME HAS COME TO SORT FACTS AND FIGURES FROM
FICTION AND FEAR-MONGERING IN THIS TERRIBLY COMPLEX

SITUATION. THE TIME HAS COME TO SAY WHAT SOLUTIONS
WILL WORK AND WHICH SHOULD BE CAST ASIDE.

AND THE TIME HAS COME FOR ALL AMERICANS TO CONSIDER
HOW THE PROBLEMS OF NEW YORK AND THE HARD DECISIONS THEY
DEMAND, FORESHADOW AND FOCUS UPON POTENTIAL PROBLEMS
FOR ALL FEDERAL, STATE AND LOCAL GOVERNMENTS -- PROBLEMS
WHICH DEMAND EQUALLY HARD DECISIONS FROM THEM.



IT'S NOW UP TO WASHINGTON, THEY SAID, AND UNLESS
THE FEDERAL GOVERNMENT INTERVENES, NEW YORK CITY WITHIN
A SHORT TIME WILL NO LONGER BE ABLE TO PAY ITS BILLS.

ONE WEEK AGO NEW YORK CITY TOTTERED UPON THE BRINK
OF FINANCIAL DEFAULT WHICH WAS DEFERRED ONLY AT THE
ELEVENTH HOUR.

THE NEXT DAY MAYOR BEAME TESTIFIED HERE IN
WASHINGTON THAT THE FINANCIAL RESOURCES OF THE CITY AND
STATE OF NEW YORK WERE EXHAUSTED. GOVERNOR CAREY AGREED.



THE MESSAGE WAS CLEAR: RESPONSIBILITY FOR
NEW YORK CITY'S FINANCIAL PROBLEMS IS BEING LEFT ON THE
FRONT DOORSTEP OF THE FEDERAL GOVERNMENT -- UNWANTED
AND ABANDONED BY ITS REAL PARENTS.

- o -

MANY EXPLANATIONS HAVE BEEN OFFERED ABOUT WHAT
LED NEW YORK CITY DEEPER AND DEEPER INTO THIS QUAGMIRE.



SOME CONTEND IT WAS LONG-RANGE ECONOMIC FACTORS
SUCH AS THE FLIGHT TO THE SUBURBS OF THE CITY'S MORE
AFFLUENT CITIZENS, THE MIGRATION TO THE CITY OF POORER
PEOPLE, AND THE DEPARTURE OF INDUSTRY.

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OTHERS ARGUE THAT THE BIG METROPOLITAN CITY HAS
BECOME OBSOLESCEANT, THAT DECAY AND POLLUTION HAVE
BROUGHT A DETERIORATION IN THE QUALITY OF URBAN LIFE, AND
THAT NEW YORK'S DOWNFALL COULD NOT BE PREVENTED.



LET'S FACE ONE SIMPLE FACT: MOST OTHER CITIES IN
AMERICA HAVE FACED THESE SAME CHALLENGES, AND THEY ARE
STILL FINANCIALLY HEALTHY TODAY. THEY HAVE NOT BEEN
LUCKIER THAN NEW YORK; THEY SIMPLY HAVE BEEN BETTER
MANAGED.

THERE IS AN OLD SAYING: "THE HARDER YOU TRY,
THE LUCKIER YOU GET." I LIKE THAT DEFINITION OF "LUCK".



DURING THE LAST DECADE, THE OFFICIALS OF NEW YORK CITY HAVE ALLOWED ITS BUDGET TO TRIPLE. NO CITY CAN EXPECT TO REMAIN SOLVENT IF IT ALLOWS ITS EXPENSES TO INCREASE BY AN AVERAGE OF 12 PERCENT EVERY YEAR, WHILE ITS TAX REVENUES ARE INCREASING BY ONLY 4 TO 5 PERCENT A YEAR.

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AS AL SMITH, A GREAT GOVERNOR WHO CAME FROM THE SIDEWALKS OF NEW YORK, USED TO SAY: "LET'S LOOK AT THE RECORD."

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THE RECORD SHOWS THAT NEW YORK CITY'S WAGES AND SALARIES ARE THE HIGHEST IN THE UNITED STATES. A SANITATION WORKER WITH THREE YEARS EXPERIENCE NOW RECEIVES A BASE SALARY OF NEARLY 15,000 DOLLARS A YEAR.



FRINGE BENEFITS AND RETIREMENT COSTS AVERAGE MORE THAN
50 PERCENT OF BASE PAY. FOUR-WEEK PAID VACATIONS AND
UNLIMITED SICK LEAVE AFTER ONLY ONE YEAR ON THE JOB.

THE RECORD SHOWS THAT IN MOST CITIES, MUNICIPAL
EMPLOYEES HAVE TO PAY 50 PERCENT OR MORE OF THE COST OF
THEIR PENSIONS. NEW YORK CITY IS THE ONLY MAJOR CITY
IN THE COUNTRY THAT PICKS UP THE ENTIRE BURDEN.

THE RECORD SHOWS THAT WHEN NEW YORK'S MUNICIPAL
EMPLOYEES RETIRE THEY OFTEN RETIRE MUCH EARLIER THAN IN
MOST CITIES AND AT PENSIONS CONSIDERABLY HIGHER THAN
SOUND RETIREMENT PLANS PERMIT.



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THE RECORD SHOWS NEW YORK CITY HAS 18 MUNICIPAL
HOSPITALS; YET, ON AN AVERAGE DAY, 25 PERCENT OF THE
HOSPITAL BEDS ARE EMPTY. MEANWHILE, THE CITY SPENDS
MILLIONS MORE TO PAY THE HOSPITAL EXPENSES OF THOSE WHO
USE PRIVATE HOSPITALS.

THE RECORD SHOWS NEW YORK CITY OPERATES ONE OF
THE LARGEST UNIVERSITIES IN THE WORLD, FREE OF TUITION FOR
ANY HIGH SCHOOL GRADUATE, RICH OR POOR, WHO WANTS TO
ATTEND.



AS FOR NEW YORK'S MUCH-DISCUSSED WELFARE BURDEN,
THE RECORD SHOWS MORE THAN ONE CURRENT WELFARE RECIPIENT
IN TEN MAY BE LEGALLY INELIGIBLE FOR WELFARE ASSISTANCE.

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CERTAINLY I DO NOT BLAME ALL THE GOOD PEOPLE OF
NEW YORK CITY FOR THEIR GENEROUS INSTINCTS OR FOR THEIR
PRESENT PLIGHT. I DO BLAME THOSE WHO HAVE MISLED
THE PEOPLE OF NEW YORK CITY ABOUT THE INEVITABLE
CONSEQUENCES OF WHAT THEY WERE DOING OVER THE LAST 10 YEARS.



THE CONSEQUENCES HAVE BEEN:

--A STEADY STREAM OF UNBALANCED BUDGETS;

--MASSIVE GROWTH IN THE CITY'S DEBT;

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-- EXTRAORDINARY INCREASES IN PUBLIC EMPLOYEE

CONTRACTS;

-- AND TOTAL DISREGARD OF INDEPENDENT EXPERTS

WHO WARNED AGAIN AND AGAIN THAT THE CITY WAS COURTING

DISASTER.

THERE CAN BE NO DOUBT WHERE THE REAL RESPONSIBILITY
LIES. AND WHEN NEW YORK CITY NOW ASKS THE REST OF THE
COUNTRY TO GUARANTEE ITS BILLS, IT CAN BE NO SURPRISE THAT
MANY OTHER AMERICANS ASK WHY.



WHY, THEY ASK, SHOULD THEY SUPPORT ADVANTAGES
IN NEW YORK THAT THEY HAVE NOT BEEN ABLE TO AFFORD FOR THEIR
OWN COMMUNITIES?

WHY, THEY ASK, SHOULD ALL THE WORKING PEOPLE OF
THIS COUNTRY BE FORCED TO RESCUE THOSE WHO BANKROLLED
NEW YORK CITY'S POLICIES FOR SO LONG -- THE LARGE INVESTORS
AND BIG BANKS?

IN MY JUDGMENT, NO ONE HAS YET GIVEN THESE
QUESTIONS A SATISFACTORY ANSWER.

INSTEAD, AMERICANS ARE BEING TOLD THAT UNLESS
THE REST OF THE COUNTRY BAILS OUT NEW YORK, THERE WILL BE
CATASTROPHE FOR THE UNITED STATES AND PERHAPS FOR THE WORLD.



IS THIS SCARE STORY TRUE?

OF COURSE THERE ARE RISKS THAT DEFAULT COULD
CAUSE TEMPORARY FLUCTUATIONS IN THE FINANCIAL MARKETS.
BUT THESE MARKETS HAVE ALREADY MADE A SUBSTANTIAL ADJUSTMENT
IN ANTICIPATION OF A POSSIBLE DEFAULT BY NEW YORK CITY.

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CLAIMS ALSO ARE MADE THAT BECAUSE OF NEW YORK
CITY'S TROUBLES, OTHER MUNICIPALITIES WILL HAVE GRAVE
DIFFICULTY SELLING THEIR BONDS. I KNOW THIS TROUBLES
MANY THOUGHTFUL CITIZENS.



BUT, THE NEW YORK CITY RECORD OF BAD FINANCIAL
MANAGEMENT IS UNIQUE AMONG MUNICIPALITIES. OTHER
COMMUNITIES HAVE A SOLID REPUTATION FOR LIVING WITHIN
THEIR MEANS. IN RECENT DAYS AND WEEKS, OTHER LOCAL
GOVERNMENTS HAVE GONE TO INVESTORS WITH CLEAN RECORDS OF
FISCAL RESPONSIBILITY AND HAVE HAD NO DIFFICULTY RAISING FUNDS.

THE GREATER RISK IS THAT ANY ATTEMPT TO PROVIDE
A FEDERAL BLANK CHECK FOR THE LEADERS OF NEW YORK CITY
WOULD ENSURE THAT NO LONG-RUN SOLUTION TO THE CITY'S
PROBLEMS WILL EVER OCCUR.



I CAN UNDERSTAND THE CONCERN OF MANY CITIZENS

IN NEW YORK AND ELSEWHERE.

I UNDERSTAND BECAUSE I

AM ALSO CONCERNED.

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WHAT I CANNOT UNDERSTAND -- AND WHAT NOBODY

SHOULD CONDONE -- IS THE BLATANT ATTEMPT IN SOME QUARTERS

TO FRIGHTEN THE AMERICAN PEOPLE AND THEIR REPRESENTATIVES

IN CONGRESS INTO PANICKY SUPPORT OF PATENTLY BAD POLICY.

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THE PEOPLE OF THIS COUNTRY WILL NOT BE STAMPEDED;

THEY WILL NOT PANIC WHEN A FEW DESPERATE NEW YORK OFFICIALS

AND BANKERS TRY TO SCARE NEW YORK'S MORTGAGE PAYMENTS

OUT OF THEM.



· WE HAVE HEARD ENOUGH SCARE TALK.

WHAT WE NEED NOW IS A CALM, RATIONAL DECISION

AS TO WHAT THE RIGHT SOLUTION IS -- THE SOLUTION THAT IS BEST
FOR THE PEOPLE OF NEW YORK AND BEST FOR ALL AMERICANS.

TO BE EFFECTIVE, THE RIGHT SOLUTION MUST MEET

THREE BASIC TESTS:

-- IT MUST MAINTAIN ESSENTIAL PUBLIC SERVICES

FOR THE PEOPLE OF NEW YORK CITY. IT MUST PROTECT THE

INNOCENT VICTIMS OF THIS TRAGEDY. THERE MUST BE

POLICEMEN ON THE BEAT, FIREMEN IN THE STATION, NURSES IN
THE EMERGENCY WARDS.



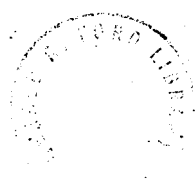
-- SECOND, THE SOLUTION MUST ASSURE THAT
NEW YORK CITY CAN AND WILL ACHIEVE AND MAINTAIN A
BALANCED BUDGET IN THE YEARS AHEAD.

-- AND THIRD, THE RIGHT SOLUTION MUST GUARANTEE
THAT NEITHER NEW YORK CITY NOR ANY OTHER AMERICAN CITY
EVER BECOMES A WARD OF THE FEDERAL GOVERNMENT.



LET ME DISGRESS A MINUTE TO REMIND YOU THAT UNDER
OUR CONSTITUTIONAL SYSTEM, BOTH THE CITIES AND THE
FEDERAL GOVERNMENT WERE THE CREATURES OF THE STATES.

THE STATES DELEGATED CERTAIN OF THEIR SOVEREIGN POWERS --
THE POWER TO TAX, POLICE POWERS AND THE LIKE -- TO LOCAL
UNITS OF SELF-GOVERNMENT. AND THEY CAN TAKE THESE POWERS
BACK IF THEY ARE ABUSED.



THE STATES ALSO RELINQUISHED CERTAIN SOVEREIGN
POWERS TO THE FEDERAL GOVERNMENT -- SOME ALTOGETHER AND
SOME TO BE SHARED. IN RETURN THE FEDERAL GOVERNMENT
HAS CERTAIN OBLIGATIONS TO THE STATES.

I SEE A SERIOUS THREAT TO THE LEGAL RELATIONSHIPS
AMONG OUR FEDERAL, STATE AND LOCAL GOVERNMENTS IN ANY
CONGRESSIONAL ACTION WHICH COULD LEAD TO DISRUPTION OF THIS
TRADITIONAL BALANCE. OUR LARGEST CITY IS NO DIFFERENT IN
THIS RESPECT THAN OUR SMALLEST TOWN.



IF MAYOR BEAME DOESN'T WANT GOVERNOR CAREY TO RUN HIS
CITY, DOES HE WANT THE PRESIDENT OF THE UNITED STATES TO
BE ACTING MAYOR OF NEW YORK?

NOW, WHAT IS THE SOLUTION TO NEW YORK'S
DILEMMA?

THERE ARE AT LEAST EIGHT DIFFERENT PROPOSALS UNDER
CONSIDERATION BY THE CONGRESS INTENDED TO PREVENT DEFAULT.
THEY ARE ALL VARIATIONS OF ONE BASIC THEME: THAT THE FEDERAL
GOVERNMENT WOULD GUARANTEE THE AVAILABILITY OF FUNDS TO
NEW YORK CITY.



I CAN TELL YOU NOW THAT I AM PREPARED TO VETO
ANY BILL THAT HAS AS ITS PURPOSE A FEDERAL BAIL-OUT OF
NEW YORK CITY TO PREVENT A DEFAULT.

I AM FUNDAMENTALLY OPPOSED TO THIS SO-CALLED
SOLUTION, AND I WILL TELL YOU WHY.

BASICALLY, IT IS A MIRAGE. BY GIVING A
FEDERAL GUARANTEE WE WOULD BE REDUCING RATHER THAN INCREASING
THE PROSPECT THAT THE CITY'S BUDGET WILL EVER BE BALANCED.
NEW YORK CITY'S OFFICIALS HAVE PROVED IN THE PAST THAT THEY
WILL NOT FACE UP TO THE CITY'S MASSIVE NETWORK OF PRESSURE
GROUPS AS LONG AS ANY ALTERNATIVE IS AVAILABLE.



IF THEY CAN SCARE THE WHOLE COUNTRY INTO PROVIDING THAT
ALTERNATIVE NOW, WHY SHOULDN'T THEY BE CONFIDENT THEY CAN
SCARE US AGAIN INTO PROVIDING IT THREE YEARS FROM NOW?
IN SHORT, IT ENCOURAGES THE CONTINUATION OF "POLITICS AS
USUAL" IN NEW YORK -- WHICH IS PRECISELY NOT THE WAY TO
SOLVE THE PROBLEM.

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SUCH A STEP WOULD SET A TERRIBLE PRECEDENT FOR
THE REST OF THE NATION. IT WOULD PROMISE IMMEDIATE
REWARDS AND EVENTUAL RESCUE TO EVERY OTHER CITY THAT FOLLOWS
THE TRAGIC EXAMPLE OF OUR LARGEST CITY.



WHAT RESTRAINT WOULD BE LEFT ON THE SPENDING OF OTHER LOCAL
AND STATE GOVERNMENTS ONCE IT BECOMES CLEAR THAT THERE IS
A FEDERAL RESCUE SQUAD THAT WILL ALWAYS ARRIVE IN THE NICK
OF TIME?

FINALLY, WE MUST ALL RECOGNIZE WHO THE PRIMARY
BENEFICIARIES OF A FEDERAL GUARANTEE PROGRAM WOULD BE. THE
BENEFICIARIES WOULD NOT BE THOSE WHO LIVE AND WORK IN NEW YORK
CITY BECAUSE THE REALLY ESSENTIAL PUBLIC SERVICES MUST AND WILL
CONTINUE.



THE PRIMARY BENEFICIARIES WOULD BE THE NEW YORK OFFICIALS WHO WOULD THUS ESCAPE RESPONSIBILITY FOR THEIR PAST FOLLIES AND BE FURTHER EXCUSED FROM MAKING THE HARD DECISIONS REQUIRED NOW TO RESTORE THE CITY'S FISCAL INTEGRITY.

THE SECONDARY BENEFICIARIES WOULD BE THE LARGE INVESTORS AND FINANCIAL INSTITUTIONS WHO PURCHASED THESE SECURITIES ANTICIPATING A HIGH RATE OF TAX-FREE RETURN.



DOES THIS MEAN THERE IS NO SOLUTION?


NOT AT ALL. THERE IS A FAIR AND SENSIBLE WAY TO RESOLVE
THIS ISSUE, AND THIS IS THE WAY TO DO IT:

IF THE CITY IS UNABLE TO ACT TO PROVIDE A MEANS OF
MEETING ITS OBLIGATIONS, A NEW LAW IS REQUIRED TO ASSURE AN
ORDERLY AND FAIR MEANS OF HANDLING THE SITUATION.



AS YOU KNOW, THE CONSTITUTION EMPOWERS THE
CONGRESS TO ENACT UNIFORM BANKRUPTCY LAWS. THEREFORE,
I WILL SUBMIT TO THE CONGRESS SPECIAL LEGISLATION PROVIDING
THE FEDERAL COURTS WITH SUFFICIENT AUTHORITY TO PRESIDE OVER
AN ORDERLY REORGANIZATION OF NEW YORK CITY'S FINANCIAL
AFFAIRS -- SHOULD THAT BECOME NECESSARY.

HOW WOULD THIS WORK? THE CITY, WITH STATE
APPROVAL, WOULD FILE A PETITION WITH THE FEDERAL DISTRICT
COURT IN NEW YORK UNDER A PROPOSED NEW CHAPTER XVI OF THE
BANKRUPTCY ACT.




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THE PETITION WOULD STATE THAT NEW YORK CITY IS UNABLE TO PAY ITS DEBTS AS THEY MATURE AND WOULD BE ACCOMPANIED BY A PROPOSED WAY TO WORK OUT AN ADJUSTMENT OF ITS DEBTS WITH ITS CREDITORS.

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THE FEDERAL COURT WOULD THEN BE AUTHORIZED TO ACCEPT JURISDICTION OF THE CASE. THEN THERE WOULD BE AN AUTOMATIC STAY OF SUITS BY CREDITORS SO THAT THE ESSENTIAL FUNCTIONS OF NEW YORK CITY WOULD NOT BE DISRUPTED.

A faint circular stamp is visible in the bottom right corner of the page, containing some illegible text.

THIS WOULD ENABLE AN ORDERLY PLAN TO BE DEVELOPED
SO THAT THE CITY COULD WORK OUT ARRANGEMENTS WITH ITS
CREDITORS.

WHILE NEW YORK CITY WORKS OUT A COMPROMISE
WITH ITS CREDITORS THE ESSENTIAL GOVERNMENTAL FUNCTIONS
OF THE CITY WOULD CONTINUE.

IN THE EVENT OF DEFAULT, THE FEDERAL GOVERNMENT
WILL WORK WITH THE COURT TO ASSURE THAT POLICE, FIRE
AND OTHER ESSENTIAL SERVICES FOR THE PROTECTION OF LIFE
AND PROPERTY IN NEW YORK ARE MAINTAINED.



THE PROPOSED LEGISLATION WILL INCLUDE PROVISION

THAT AS A CONDITION OF NEW YORK CITY PETITIONING THE COURT,

THE CITY MUST NOT ONLY FILE A GOOD FAITH PLAN FOR PAYMENTS

TO ITS CREDITORS BUT MUST ALSO PRESENT A PROGRAM FOR

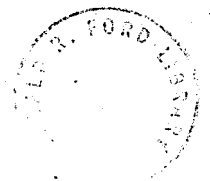
PLACING THE FISCAL AFFAIRS OF THE CITY ON A SOUND BASIS.

IN ORDER TO MEET THE SHORT TERM NEEDS OF NEW YORK

CITY THE COURT WOULD BE EMPOWERED TO AUTHORIZE DEBT

CERTIFICATES COVERING NEW LOANS TO THE CITY WHICH WOULD

BE PAID OUT OF FUTURE REVENUES AHEAD OF OTHER CREDITORS.



THUS, THE LEGISLATION I AM PROPOSING WILL DO
THREE ESSENTIAL THINGS.

FIRST, IT WILL PREVENT, IN THE EVENT OF A DEFAULT,
ALL NEW YORK CITY FUNDS FROM BEING TIED UP BY LAWSUITS.

SECOND, IT WILL PROVIDE THE CONDITIONS FOR AN
ORDERLY PLAN TO BE DEVELOPED FOR PAYMENTS TO NEW YORK'S
CREDITORS OVER THE LONG TERM.

THIRD, IT WILL PROVIDE A WAY FOR NEW BORROWING
TO BE SECURED BY PLEDGING FUTURE REVENUES.



I DON'T WANT ANYBODY MISLED. THIS PROPOSED

LEGISLATION WILL NOT, BY ITSELF, PUT THE AFFAIRS OF

NEW YORK CITY IN ORDER. SOME HARD MEASURES MUST BE

TAKEN BY THE OFFICIALS OF NEW YORK CITY AND NEW YORK STATE.

THEY MUST EITHER INCREASE REVENUES OR CUT EXPENDITURES

OR DEVISE SOME COMBINATION THAT WILL BRING THEM TO A

SOUND FINANCIAL POSITION. CAREFUL EXAMINATION HAS

CONVINCED ME THAT THOSE MEASURES ARE NEITHER BEYOND THE

REALM OF POSSIBILITY NOR BEYOND THE DEMANDS OF REASON.



IF THEY ARE TAKEN, NEW YORK CITY WILL, WITH THE ASSISTANCE
OF THE LEGISLATION I AM PROPOSING, BE ABLE TO RESTORE
ITSELF AS A FULLY SOLVENT OPERATION.

TO SUMMARIZE, THE APPROACH I AM RECOMMENDING
IS THIS: IF NEW YORK FAILS TO ACT IN ITS OWN BEHALF,
ORDERLY PROCEEDINGS WOULD THEN BE SUPERVISED BY A
FEDERAL COURT.



THE ONES WHO WOULD BE MOST AFFECTED BY THIS
COURSE WOULD BE THOSE WHO ARE NOW FIGHTING TOOTH AND
NAIL TO PROTECT THEIR AUTHORITY AND THEIR INVESTMENTS:
NEW YORK OFFICIALS AND THE CITY'S CREDITORS.

THE CREDITORS WILL NOT BE WIPED OUT; HOW MUCH THEY WILL
BE HURT WILL DEPEND UPON THE FUTURE CONDUCT OF THE CITY'S
LEADERS.



FOR THE PEOPLE OF NEW YORK, THIS PLAN WILL MEAN
THAT ESSENTIAL SERVICES WILL CONTINUE. THERE MAY BE
SOME TEMPORARY INCONVENIENCES, BUT THAT WILL BE TRUE
OF ANY SOLUTION THAT IS ADOPTED.

FOR THE FINANCIAL COMMUNITY, THE DEFAULT MAY BRING
SOME TEMPORARY DIFFICULTIES BUT THE REPERCUSSIONS SHOULD NOT
BE LARGE OR LONG-LASTING.



FINALLY, FOR THE PEOPLE OF THE UNITED STATES,
THIS MEANS THAT THEY WILL NOT BE ASKED TO ASSUME A BURDEN
THAT IS NOT OF THEIR OWN MAKING AND SHOULD NOT BECOME THEIR
RESPONSIBILITY. THIS IS A FAIR AND SENSIBLE WAY TO PROCEED.

• THERE IS A PROFOUND LESSON FOR ALL AMERICANS IN
THE FINANCIAL EXPERIENCE OF OUR BIGGEST AND RICHEST CITY.

THOUGH WE ARE THE RICHEST NATION IN THE WORLD,
THERE IS A PRACTICAL LIMIT TO OUR PUBLIC BOUNTY, JUST AS
THERE IS TO NEW YORK'S.



OTHER CITIES, OTHER STATES AS WELL AS THE
FEDERAL GOVERNMENT ARE NOT IMMUNE TO THE INSIDIOUS DISEASE
FROM WHICH NEW YORK IS SUFFERING.

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THIS SICKNESS IS BROUGHT ON BY YEARS AND YEARS OF HIGHER
SPENDING, HIGHER DEFICITS, MORE INFLATION AND MORE
BORROWING TO PAY FOR HIGHER SPENDING, HIGHER DEFICITS
AND ON AND ON.



IT IS A PROGRESSIVE DISEASE AND THERE IS NO
PAINLESS CURE.

THOSE WHO HAVE BEEN TREATING NEW YORK'S FINANCIAL
SICKNESS HAVE BEEN PRESCRIBING LARGER AND LARGER DOSES
OF THE SAME POLITICAL PEP PILLS THAT HAVE PROVED SO
POPULAR AND SUCCESSFUL IN WASHINGTON FOR SO MANY YEARS.

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NONE OF US CAN POINT A COMPLETELY GUILTLESS
FINGER AT NEW YORK. NONE OF US SHOULD NOW DERIVE
COMFORT OR PLEASURE FROM NEW YORK'S ANGUISH.



BUT NEITHER CAN WE LET THE CONTAGION SPREAD.

AS WE WORK WITH THE WONDERFUL PEOPLE OF NEW YORK
TO OVERCOME THEIR DIFFICULTIES -- AND THEY WILL -- WE MUST
NEVER FORGET WHAT BROUGHT THIS GREAT CENTER OF HUMAN
CIVILIZATION TO THE BRINK.

IF WE GO ON SPENDING MORE THAN WE HAVE,
PROVIDING MORE BENEFITS AND SERVICES THAN WE CAN PAY FOR,
THEN A DAY OF RECKONING WILL COME TO WASHINGTON AND THE
WHOLE COUNTRY JUST AS IT HAS TO NEW YORK.



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LET ME CONCLUDE WITH ONE QUESTION OF MY OWN:

WHEN THAT DAY OF RECKONING COMES, WHO WILL

BAIL OUT THE UNITED STATES OF AMERICA?

THANK YOU.

END OF TEXT



[Nov. 1975]

Corey letter

concern ~~to~~
Financial market

attitudes of key
advisers ~~on~~ in Congress



[Nov. 1975]

1) Act app —
go ahead w/
recess



2) If there is a
great financial
crisis for report,
then we ⁱⁿ ^{the}
set to ^{know} then
my sending up legislation ^{now}

3) If latter work
to financial wht,

Heck, says —
tell them I'd like it
when I see it.

[Nov. 1975]

①

Chen and Conger
of the federal agent

Then send up
Lepidoptera for
det. the loan for
exhibit etc -

② of Lepidoptera and
not can



[Nov. 1975]

The President is gratified that the leaders of New York State and City appear to have accepted primary responsibility for solving the financial problems ^{of New York City} and are proceeding in the direction of a long-term solution in accordance with ^{and the State Constitution} State laws. He is impressed with the seriousness of their intentions as described by Governor Carey in his letter to Secretary Simon and awaits further concrete actions by the State and the other parties concerned. -- If all parties continue ^{and take prompt action} to cooperate the President ~~now~~ believes that a satisfactory solution can be found. The President continues to give sympathetic consideration ~~and to take~~ to the well-being of the people of New York City and reiterates his determination that their essential services will be maintained.

I'll take
it when I
see it



[Nov. 1975]

DRAFT STATEMENT BY THE PRESIDENT

I am gratified that the leaders of New York appear to have accepted primary responsibility for solving the financial problems of the City and are proceeding in the direction of a long-term solution in accordance with the State Constitution and laws. I am impressed with the seriousness of their intentions as described by Governor Carey in his letter to Secretary Simon and await further concrete actions by the State and the other parties concerned.

accordingly.

The bail-out bill now before the House of Representatives is irrelevant because it does not address the current situation and I would veto it.

I am convinced that if New York continues to move toward fiscal responsibility, all parties concerned can look forward to a satisfactory resolution despite the current obstacles.

If they continue to make progress I will remain the utmost interest, to see if any additional legislation is appropriate.

(OPTIONAL PARAGRAPH - see attached)

In the event the New York leaders fail to ~~accept their responsibilities,~~ *implement intentions*, New York City could still be forced into legal default. Therefore, I am asking the Congress once again to enact special amendments to the Federal bankruptcy laws which would ensure that such a default, if it occurs, would be orderly.

In the meantime,

*Andrew
Carey.
Burns*

Bone



[Nov. 1975]

STATEMENT BY THE PRESIDENT

Instead of continuing to press for massive Federal bailouts for New York City, the leaders of New York are now taking firm initiatives to solve their problems on their own. The seriousness of their intent is underscored in a recent letter sent by Governor Carey to Secretary Simon.

In view of these encouraging developments, I will today submit to the Congress legislation which will provide for tightly restricted seasonal loans to the City. These loans must be repaid in full during the year in which each loan is made and will be secured by future Federal payments to New York. This assistance will also be earmarked for services only and is intended to ensure, as I have pledged before, that the people of New York City not suffer undue hardships as the financial integrity of their City is restored.

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page
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Wing

My support for these loans is contingent, of course, upon the completion of appropriate fiscal actions by the leaders in New York sufficient to ensure that these loans can be repaid. At the same time, however, I must emphasize that the type of financial actions taken at the State and local levels are entirely a matter for the leadership of New York to decide. Primary responsibility for the resolution of this matter continues to rest in New York.



In the event the New York leaders fail to accept their responsibilities, New York City could still be forced into legal default. Therefore, I am asking the Congress once again to enact special amendments to the Federal bankruptcy laws which would ensure that the process of such a default, if it occurs, is as orderly as possible.



[NOV. 1975]

Max

and New York State

I am gratified and encouraged that New York City officials are getting serious about their fiscal responsibilities.

They have

~~New York City has~~ presented a plan for attaining financial stability to the administration.

However, these words and promises are not actions.

and my state

If New York City officials can demonstrate their plan can be implemented,

a limited resource loan

the administration can seriously consider ~~assistance~~ on a highly controlled and federally audited basis, to maintain essential services during the difficult transition period to fiscal stability.

The House of Representatives

However the bail-out bill now before ~~Congress~~ is irrelevant to the situation

because it does not address the current problem, and furthermore, I would

veto this bill

*I am sure
I am waiting to see if*

Therefore I recommend that the leaders in New York follow up their plan with

with no commitment which I cannot

action. It should be understood that the administration will not commit federal intervention prior to this action.

At the same time, as a safeguard, I urge Congress to pass the bankruptcy legislation which I have recommended in the event it is needed.

I am convinced that if New York City continues to move towards fiscal responsibility, and the Congress adopts proper safeguard legislation, I believe that all parties concerned can look forward to a satisfactory resolution despite the current obstacles.



[Nov. 1975]

4 pm. ny. Rep Allegation

A)

~~Bankrupt~~

loan or Guarantee for essential services
understand -

Bund

-
- 1) whether assistance
 - 2) under what
 - 3) what form
 - 4) ~~how~~ amount &
legislation



Gulman
We: Suen
Carable
Horty's
Lent.

P- They should act -
Then we showed
us, possible.

So city & state
✓ - Given it may want
further consideration.



P; two more pts

1) In today's world
They have to maintain
an exact identity
except for one
has in role —

8) Instead of cataplexy
pain, I want work
w/ symptoms w/o any
phobic process

(himself) ~~Don~~ want be blamed
 not arguments
 men of 1 + 2 virm
 Don Mitchell
 got to put fire
 down in order
 the 10 up, keep



Jim Hartung -

Conny looking for \$800 in
in taxes

Warren looking \$270 in
deductions. - which

Henderson says he
can achieve

Buckley - Keep away from
N.Y. & talk
about city.

Talk to Budgini on a
personal basis

Charles - Personal aid
when promoting agent
R-S projects



Payser - Last part of
concern P for the
countries.
will support a
guarantee loan

Kump - People say
Kump's don't
want their
tax as much
to Refurbish Yankee
Stadium as they
go a further from
City University
also one wants to
N.Y. if they
not going to help it



Ben / Need a witness -
Columbus / As we work out -
Need a witness
support for this piece
Thrust

Ben - watching my.
Wash

We appear upstate
2 poss - Oct. 48-42 agent
Nov - 75-73 inform
Every school dist seems to clutch

Ham Fish - support saints approach
M. City and New Fed help

Bob McEwan - Shift in public sentiment
I don't think you
should say what state
should do
W. state to state
In order to express your
the winter
negotiating, return to news



Const to Balance
Budget



[Nov. 1975]

P -

Away from Gordon

Dispersions

If any. Still
has something

He has only 1
of my. to do

center. They

now seem there

In favor of modest
program now



WAAH - for people of
new York.

Two concerns

I - ~~del. hut~~ Carey - confirmed NYC.

can cut state - &
reports for all people
due to Carey's own
spare money.

wants P to be very
specifically NYC.
state has to run
there -

Re

1) Any P cannot
be done at NYC -
not state

2) ~~former~~ counts as
Olympic to Hudson
& Murray is on
way into Long and Lane
3) don't be needed and
less -



in fact -

Reus

would rise a bit he would accept it
only condition & signal - ^{that city} ^{Raise taxes}

Wormhole fracture

Program - modest

level - he would

sign it

~~McCarte~~

conditions

city down something

