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file 9/8/75

THE WHITE HOUSE
WASHINGTON

Jim -

You asked why the Dex Message was Secret?

It came to the Situation Room marked Secret. The Secret Classification was placed on there by Mr. Marsh - although Mr. Marsh is not on the list as an approved Classifier for the White House ---

Situation Room said Mr. Marsh sends many things marked Secret that they know are not -- Secret in the Defense Classification interpretation --

Donna (Mr. Marsh's secretary) said she questioned Mr. Marsh once on why he put Secret on his messages to the President and he told her --- They were Secret until the President saw them and then they were unclassified.

Perhaps you could discuss this point with Mr. Marsh --

Trudy

Jim

We received this from
Lee Goodell --- she
believes that this message
was sent.

I plan to keep this
here - as other papers on
New York City --- I also
plan to check to see if
Central Files ended up with
a chrono copy of message --
they should have it.

Trudy

*Why is the
GIF secret?*

THE PRESIDENT HAS SEEN....

MESSAGE FOR SENATOR JAVITS
FROM AIR FORCE ONE
THURSDAY, SEPTEMBER 4, 1975

I am heartened by the expression of support for this great city reflected in the formation of this group. Your concern and interest are shared in Washington by me and my associates. Through these many months, my Administration has carefully monitored events in New York City and will continue to do so. We share with you the hope and conviction that the financial health of New York will be restored and that it will not only survive, but prosper.

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THE PRESIDENT HAS SEEN.... *DF*

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FM JACK MARSH AND DICK CHENEY
TO RUMSFELD FOR THE PRESIDENT
ZEM
SECRET WH51782
MEMORANDUM FOR THE PRESIDENT

FROM: JACK MARSH AND DICK CHENEY

THROUGH: DONALD RUMSFELD

ENCLOSED IS A COPY OF A LETTER FROM SENATOR JAVITS TO BILL KENDALL AND THE JAVITS DRAFT OF A MESSAGE HE WANTS YOU TO SEND TO A GROUP OF NEW YORK CITY LEADERS MEETING AT 9:00 A.M. TOMORROW.

WE ARE UNAWARE OF ANY COMMITMENT YOU MAY HAVE MADE TO SENATOR JAVITS. IN OUR OPINION, HOWEVER, THE TEXT OF THE MESSAGE IS NOT CONSISTENT WITH YOUR STATED POLICY THUS FAR IN DEALING WITH THE NEW YORK PROBLEM.

IN OUR OPINION, THE DRAFT MESSAGE WOULD GIVE FALSE HOPE TO THE PEOPLE OF NEW YORK CITY THAT YOU WERE PREPARED TO PROVIDE DIRECT FINANCIAL ASSISTANCE TO AVOID DEFAULT.

WE BELIEVE YOU SHOULD GO FURTHER THAN THE STATEMENT ISSUED BY RON NESSEN AT THE TIME YOU MET WITH GOVERNOR CAREY EARLIER THIS WEEK. BILL SIMON, BILL SEIDMAN, ALAN GREENSPAN, JIM CANNON, AND DICK DUNHAM CONCUR IN THESE VIEWS, AND BELIEVE THAT YOU SHOULD NOT SEND THIS MESSAGE.

DUNHAM, CANNON AND SIMON ASKED THAT YOU BE AWARE OF THE FOLLOWING ADDITIONAL COMMENT:

"WE BELIEVE IT WOULD BE INAPPROPRIATE TO SEND THE TELEGRAM AS DRAFTED. WE ARE CONCERNED ABOUT ANY STATEMENT BY THE PRESIDENT WHILE THE SENATE LEGISLATURE IS CONSIDERING THE QUESTION. HOWEVER, IF THE PRESIDENT WISHES TO SHOW INTEREST IN THE JAVITS/BUCKLEY EFFORT TO RALLY CIVIC PRIDE IN COPING WITH THE DEFAULT, WE WOULD HAVE NO OBJECTION TO SENDING THE ALTERNATE DRAFT."

ALTERNATIVE DRAFT TELEGRAM

I AM HEARTENED BY THE EXPRESSION OF SUPPORT FOR OUR GREATEST CITY REFLECTED IN THE FORMATION OF THIS GROUP. YOUR CONCERN AND INTEREST ARE SHARED IN WASHINGTON. THROUGH THESE MANY MONTHS, MY ADMINISTRATION HAS CAREFULLY MONITORED EVENTS IN NEW YORK CITY AND WILL CONTINUE TO DO SO. WE SHARE WITH YOU THE CONVICTION THAT NEW YORK MUST SURVIVE AND PROSPER.

END OF PAGE 01

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WE (MARSH AND CHENEY) BELIEVE THAT EVEN THIS GOES TOO FAR. ANY EXPRESSION OF ENCOURAGEMENT WILL HAVE AN IMPACT ON POTENTIAL INVESTORS, AND COULD CREATE THE WRONG IMPRESSION. WE SUGGEST THAT ANY STATEMENT BE LIMITED TO A REITERATION OF WHAT NESSEN SAID TUESDAY NIGHT. COPY ATTACHED.

DEAR BILL:

AT THE PRESIDENT'S REQUEST, I HAVE PREPARED THIS DRAFT OF A WIRE I WOULD LIKE TO READ AT A MEETING OF CONCERNED NEW YORKERS THIS FRIDAY MORNING.

I WOULD APPRECIATE YOUR ARRANGING FOR THE SENDING OF A MESSAGE FROM THE PRESIDENT SO THAT I GET IT IN TIME FOR READING IN NEW YORK'S MOST IMPORTANT CIVIC LEADERS WILL BE PRESENT, AND THE MESSAGE FROM THE PRESIDENT WILL BE OF GREAT IMPORTANCE.

SINCERELY,

JACOB K. JAVITS, U.S.S.

MR. WILLIAM T. KENDALL
DEPUTY ASSISTANT TO THE PRESIDENT
THE WHITE HOUSE
WASHINGTON, D.C.

I AM GLAD TO HAVE THE OPPORTUNITY TO LET NEW YORKERS WHO CARE ABOUT THEIR CITY KNOW THAT THIS ADMINISTRATION IS FULLY AWARE OF THE DIMENSION OF THE CRISIS FACED BY YOUR CITY. I WANT YOU TO KNOW THAT AS NEW YORK CITY AND NEW YORK STATE TAKE THE PAINFUL MEASURES NECESSARY TO RESTORE FISCAL STABILITY TO NEW YORK CITY, THE COUNTRY'S COMMERCIAL AND FINANCIAL HEART, THE FEDERAL GOVERNMENT WILL NOT STAND IDLY BY. YOU CAN BE SURE THAT THE UNITED STATES, WHEN PRESENTED WITH THE HARD REALITY OF FINANCIAL REFORM IN NEW YORK CITY, WILL DO ITS FAIR SHARE TO ASSIST THE CITY ON THE ROAD BACK TO MUNICIPAL STABILITY.

THE SPECIFIC MEASURES NECESSARY TO RENDER THAT ASSISTANCE ARE UNDER STUDY IN WASHINGTON, EVEN AS NEW YORKERS THEMSELVES TAKE THE STEPS THAT ARE ESSENTIAL TO REVITALIZING THE CONFIDENCE OF INVESTORS IN THE CITY'S FUTURE. NEW YORK CITY HAS BEEN A SYMBOL OF AMERICAN INITIATIVE AND IMAGINATION. NOW IS THE TIME WHEN THOSE QUALITIES MUST BE DEMONSTRATED TO A GREATER EXTENT THAN EVER BEFORE. THE SYMPATHY OF THIS ADMINISTRATION CAN BE TRANSLATED INTO APPROPRIATE ACTION AS A RESPONSE TO THE POSITIVE ACTIONS THE CITY, THE STATE, AND THE PEOPLE OF NEW YORK HAVE TAKEN, AND TO THOSE PAINFUL MEASURES THAT MUST STILL BE ENACTED.

IN MANY WAYS NEW YORK IS A KEY ELEMENT IN THE SPIRIT OF AMERICA--

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IN BUSINESS, IN FINANCE, IN CULTURE AND THE ARTS, IN TRANSPORTATION AND COMMUNICATIONS--AND WE SHALL DO WHATEVER IS PROPER TO KEEP THAT SPIRIT ALIVE AND HEALTHY.

NEWS CONFERENCE 313

AT THE WHITE HOUSE
WITH RON NESSEN
AT 8:19 P.M. EDT
SEPTEMBER 2, 1975
TUESDAY

MR. NESSEN: THERE IS NOT ALL THAT MUCH TO SAY, REALLY. I THINK GOVERNOR CAREY GAVE YOU A REPORT ON HIS VIEW OF THE MEETING. THE MEETING LASTED FROM 6:55 TO 7:40. YOU HAVE A LIST OF PARTICIPANTS. THE GOVERNOR WAS THERE, OF COURSE; DAVID BURKE, WHO IS THE SECRETARY TO THE GOVERNOR; PETER GOLDMARK, WHO IS BUDGET DIRECTOR OF THE STATE; JOHN HIEMANN, SECRETARY OF BANKING; FELIX ROHATYN, AN ADVISER ON THIS MATTER; J. SIMON RIFKIN, WHO IS ALSO ADVISING ON THIS MATTER; ARTHUR LEAVITT, THE STATE COMPTROLLER; BILL ELLINGHAUS, THE CHAIRMAN OF THE BOARD OF MAC, AND MICHAEL NEDEL, THE ASSISTANT COUNSEL TO THE GOVERNOR. THOSE ATTENDING FROM THE WHITE HOUSE WERE THE PRESIDENT, DON RUMSFELD, BILL SEIDMAN, ALAN GREENSPAN, EDWIN YEO.

Q WHO IS EDWIN YEO?

Q HE IS THE NEW UNDER SECRETARY OF THE TREASURY.

MR. NESSEN: THAT IS RIGHT, THE NEW UNDER SECRETARY OF THE TREASURY.

RICHARD DUNHAM OF THE DOMESTIC COUNSEL, ROD HILLS OF THE LEGAL COUNSEL'S OFFICE, JIM CANNON OF THE DOMESTIC COUNSEL AND JIM FALK OF THE DOMESTIC COUNSEL, DICK CHENEY AND MYSELF.

I THINK YOU ALREADY KNOW THAT THE PRESIDENT HAS BEEN CONCERNED ABOUT THE FINANCIAL CONDITION IN NEW YORK CITY FOR THE PAST SIX MONTHS OR SO AND AT HIS REQUEST TREASURY SECRETARY SIMON AND OTHER ADMINISTRATION OFFICIALS HAVE BEEN MONITORING THE SITUATION.

GOVERNOR CAREY AND HIS ASSOCIATES CAME DOWN THIS EVENING TO MEET WITH THE PRESIDENT AND OTHER OFFICIALS OF THE ADMINISTRATION. THEY DESCRIBED THE FINANCIAL CIRCUMSTANCES OF NEW YORK CITY AND ALSO DESCRIBED THE RECOMMENDATIONS THAT HE IS MAKING TO THE NEW YORK STATE LEGISLATURE.

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GOVERNOR CAREY DESCRIBED THE DIFFICULT PERIOD OF ADJUSTMENT THAT WILL BE NEEDED TO RESTORE CONFIDENCE IN THE CITY'S FINANCIAL PRACTICES AND ITS LONG-TERM ECONOMIC WELLBEING.

AS THEIR EFFORTS TO RESTORE THE CITY'S ECONOMIC HEALTH PROCEED, THE PRESIDENT SAID HE WOULD ASK FEDERAL DEPARTMENTS AND AGENCIES TO CONTINUE TO STAY IN CLOSE TOUCH WITH THE OFFICIALS INVOLVED AND TO REPORT TO HIM AS APPROPRIATE.

THE PRESIDENT SAID THAT HIS DOOR WAS ALWAYS OPEN FOR DISCUSSION, SUCH AS THE ONE THIS EVENING. THE PRESIDENT EXPRESSED HIS SYMPATHY FOR THE PEOPLE OF NEW YORK AND TO THOSE WORKING TO RESOLVE THE PROBLEM.

THAT IS BASICALLY ALL I HAVE.

Q RON, IS THERE ANY SENSE OF A SOFTENING OF THE ADMINISTRATION'S PREVIOUSLY STATED POSITION CONCERNING NEW YORK CITY?

MR. NESSEN: I WOULD SAY THAT THERE WAS NO CHANGE IN THE ADMINISTRATIONS'S POSITION, WHICH IS ONE OF -- AS THE PRESIDENT SAID -- KEEPING THE DOOR OPEN FOR DISCUSSIONS, SYMPATHY FOR THE PEOPLE OF NEW YORK AND THOSE WORKING ON THE PROBLEM, MONITORING OF THE PROBLEM AND REPORTING TO HIM WHEN APPROPRIATE.

Q RON, THE IMPRESSION WAS LEFT FROM THE DISCUSSION OUT ON THE LAWN THAT IF THE STATE LEGISLATURE GOES AHEAD WITH WHAT CAREY DESCRIBES AS A HIGH-RISK PROGRAM THAT WOULD INVOLVE THE STATE'S CREDIBILITY RATHER THAN JUST A CITY'S FINANCIAL STABILITY, THAT THEN THE ADMINISTRATION MIGHT HAVE A DIFFERENT ATTITUDE AND MIGHT REACT DIFFERENTLY THAN IT WOULD IF IT WERE JUST NEW YORK CITY AND ITS MONEY INVOLVED.

MR. NESSEN: I DID NOT HEAR ANYTHING AT THAT MEETING THAT WOULD LEAD ME TO BELIEVE THAT THAT IS A CORRECT CONCLUSION. MY UNDERSTANDING IS THAT GOVERNOR CAREY DIDN'T SAY THAT.

Q I WILL BE GLAD TO PLAY THE TAPE PORTION. MY QUESTION WAS, IS IT TRUE THE STATE WOULD HAVE TO ACT FIRST BEFORE THE FEDERAL GOVERNMENT COULD DO ANYTHING? HE SAID, "ABSOLUTELY, THE FEDERAL GOVERNMENT CAN'T ACT IF WE" -- AND FOLLOW-UP QUESTIONS DID LEAVE THE IMPRESSION-- HE ALSO SAID AT ONE POINT THAT ONE ADMINISTRATION OFFICIAL HAD SAID THAT IF THE STATE'S CREDIBILITY WERE INVOLVED,

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IT WOULD BE DIFFERENT THAN A CITY AND THE PRECEDENT OF HUNDREDS OF THOUSANDS OF CITIES THAT COULD GET IN TROUBLE, ALTHOUGH THAT WAS A BIG "MIGHT."

Q HE ALSO SAID THEY ARE GOING TO WAIT AND SEE IF WE ADOPT A PLAN.

MR. NESSEN: THE PRESIDENT SAID HE WOULD MONITOR THE SITUATION AND OTHER ADMINISTRATION OFFICIALS WOULD MONITOR IT, BUT THE PRESIDENT MADE NO PROMISE AND NO COMMITMENT.

Q THE POINT STEVE IS MAKING IS THAT SOMEWHERE DOWN THE LINE CAREY HELD OUT HOPE THAT PERHAPS THE PRESIDENT MIGHT CHANGE HIS MIND. IN THE BRIEFING TODAY, YOU SAID THERE ARE NO PLANS FOR A NEW FEDERAL INITIATIVE NOW. YOU DID USE THAT ADVERB "NOW."

MR. NESSEN: I THINK YOU ARE MAKING A DISTINCTION WHERE THERE IS NONE. THERE WERE NO PROMISES AND NO COMMITMENTS. IN FACT, I THINK IF YOU KNOW THE PRESIDENT'S OWN FEELINGS IN THIS AREA, AND THE PRESIDENT SPELLED THEM OUT AGAIN TODAY, THAT HE BELIEVES FEDERAL ASSISTANCE IS NOT THE SOLUTION TO NEW YORK CITY'S PROBLEM.

HE SAID THAT HE FEELS THAT UNDER THE SYSTEM OF GOVERNMENT WE HAVE THAT IT IS NOT AND SHOULD NOT BE THE JOB OF THE FEDERAL GOVERNMENT TO MANAGE THE FINANCES OF A STATE OR LOCAL GOVERNMENT.

I THINK YOU KNOW THE PRESIDENT'S VIEWS, WHICH ARE--AMONG THE REASONS HE HOLDS THAT VIEW IS THAT IF FUNDS WERE PROVIDED TO NEW YORK, EQUITY WOULD REQUIRE THAT THE FEDERAL GOVERNMENT PROVIDE ASSISTANCE TO OTHER CITIES AND THIS COULD LEAD TO FEDERALIZATION OF CITY AFFAIRS.

THERE IS ALSO ANOTHER REASON, WHICH IS THAT THE EXECUTIVE BRANCH HAS NO AUTHORITY TO PROVIDE ADDITIONAL DIRECT FEDERAL ASSISTANCE.

Q I THINK THE QUESTION WE ARE ASKING, RON, IS THIS : HAS THE SITUATION CHANGED BECAUSE THE STATE HAS GOTTEN INVOLVED AND YOU CONTINUE TO SPEAK ABOUT THE CITY THERE, SO TO GO BACK TO YOUR OTHER COMMENTS, I TAKE IT IT DOESN'T MAKE ANY DIFFERENCE IF THE STATE GETS INVOLVED?

MR. NESSEN: I THINK YOU ARE REALLY STRANGE TO FIND SOMETHING THAT WAS NOT REALLY THERE.

Q RON, LET ME TAKE IT FROM A DIFFERENT TACK. THIS IS A VITAL POINT TO US.

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MR. NESSEN: ALL I HEARD WAS A KIND OF SECOND- OR THIRD-HAND REPORT OF WHAT HE SAID, AND I DIDN'T GET THE IMPRESSION FROM WHAT I HEARD HE SAID THAT HE WAS HOLDING OUT, OR HE DID NOT FEEL THAT HE GOT ANY COMMITMENT IN HERE TODAY.

Q RON, LET'S TAKE THIS FROM ANOTHER TACK.

Q HE SAID HE WAS ENCOURAGED.

MR. NESSEN: DID HE SAY HE WAS ENCOURAGED?

Q YES, VERY ENCOURAGED.

MR. NESSEN: I THOUGHT HE SAID HE WAS ENCOURAGED AT THE PRESIDENT GETTING A BETTER UNDERSTANDING OF THE PROBLEM.

Q RON, TO TAKE ANOTHER TACK, THERE IS A DIFFERENCE IN THE UNDERSTANDING AMONG US WHO LISTENED TO HIM. FROM YOUR POINT OF VIEW AND FROM THE PRESIDENT'S POINT OF VIEW AND THE ADMINISTRATION'S POINT OF VIEW, NOTWITHSTANDING WHAT CAREY MAY OR MAY NOT HAVE SAID, DOES IT MAKE ANY DIFFERENCE WHETHER THE SUPPLICANT IS THE STATE OF NEW YORK OR THE CITY OF NEW YORK?

MR. NESSEN: FOR ONE THING, CAREY DID NOT COME HERE AS A SUPPLICANT TODAY, HE CAME HERE, AS I SAY, TO DESCRIBE AND EXPLAIN.

Q COULD YOU ANSWER THAT QUESTION AND TAKE "SUPPLICANT" OUT?

MR. NESSEN: I THINK WE ARE DEALING WITH SOMETHING THAT DOESN'T EXIST. THERE IS NO PLAN, AND THERE WAS NO COMMITMENT MADE OR NO PROMISE MADE BY THE PRESIDENT.

Q CAREY DID EXPLAIN A PLAN, THOUGH, DIDN'T HE?

MR. NESSEN: YES, THAT WAS THE BULK OF THE MEETING.

Q HE WAS ASKED IF HE WAS SEEKING A FEDERAL LOAN OR A FEDERAL GUARANTEE OF A LOAN, AND HE SAID NOT NOW. THE QUESTION NOW AS OPPOSED TO WHEN IS STILL DANGLING THERE. YOU ARE NOT SAYING "NO, NEVER," AND CAREY SAID THE PRESIDENT FLATLY TOLD US THERE IS NO GUARANTEE NOW.

MR. NESSEN: ALL I AM SAYING IS I THINK YOU ARE ASKING ME TO ANSWER A HYPOTHETICAL QUESTION THAT SIMPLY DIDN'T COME UP TODAY. THERE IS NO PLAN. THERE WAS NO COMMITMENT. THERE WAS NO PROMISE, AND THE PRESIDENT HAS THESE STRONG VIEWS ON THE ROLE OF THE FEDERAL GOVERNMENT IN

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THIS AREA.

Q DID HE AGREE TO EXTEND TO THE STATE AS WELL AS TO THE CITY?
THAT IS ALL I AM ASKING.

MR. NESSEN: I THINK I SAID THAT THE PRESIDENT JUST DOESN'T
BELIEVE IT IS THE JOB OF THE FEDERAL GOVERNMENT TO MANAGE
THE FINANCES OF THE STATE AND LOCAL GOVERNMENT.

Q THE PRESIDENT BELIEVES FEDERAL ASSISTANCE IS NOT THE SOLUTION
TO NEW YORK CITY'S PROBLEMS. TO CARRY THAT ON, YOU MEAN IF
THE STATE ASSUMES THE BURDEN, HE COULD CHANGE HIS VIEWS?

MR. NESSEN: THERE WAS CERTAINLY NOTHING TODAY THAT INDICATED
ANYTHING LIKE THAT. I DON'T THINK CAREY SAID THERE WOULD BE.

Q WE GOT THE IMPRESSION THAT IF THE LEGISLATURE ACTED
WITHIN THIS 90-DAY PERIOD, THAT NEW YORK CITY WOULD NOT DEFAULT
IF THE PRESIDENT WOULD CONSIDER SOME SORT OF ACTION. THIS WAS
THE IMPRESSION WE GOT.

MR. NESSEN: THE PRESIDENT GAVE NO COMMITMENT AND NO PROMISE
AND SAID ONLY THAT THEY WOULD CONTINUE TO MONITOR THE SITUATION
AND KEEP THE DOOR OPEN FOR DISCUSSIONS.

Q HAS THE PRESIDENT BEEN GIVEN A PLAN BY WHICH HE COULD DO
IT IF HE CHANGED HIS MIND? DOES THE WHITE HOUSE HAVE A
SCENARIO UNDER WHICH IT COULD ACT FOR THE STATE IF THEY
DESIRED TO DO SO?

MR. NESSEN: NOT THAT I AM AWARE OF.

Q RON, IS IT STILL THE PRESIDENT'S FEELING THAT A DEFAULT
WOULD NOT BE A DISASTER FOR THE COUNTRY AS A WHOLE? THIS IS
CAREY'S THESIS THAT A DEFAULT WOULD HAVE NATIONAL IMPLICATIONS.

MR. NESSEN: DR. BURNS, I THINK, HAS INDICATED, I AM SURE HAS
INDICATED -- I SHOULD SAY I AM SURE DR. BURNS HAS INDICATED
PUBLICLY THAT HE SEES HIS ROLE AS PREVENTING ANY UPSET FROM
OCCURRING IN THE BANKING SYSTEM.

Q IS THE PRESIDENT STILL PLANNING TO GO MEET HENRY TOMORROW
NIGHT?

MR. NESSEN: AS FAR AS I KNOW HE IS.

Q CAN YOU GIVE US AN APPROXIMATE ARRIVAL TIME?

MR. NESSEN: I CANNOT.

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THE PRESS: THANK YOU.

END

(AT 8:32 P.. EDT)

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