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NEWS CONFERENCE

#348

AT THE WHITE HOUSE

WITH RON NESSEN

AT 12:15 P.M. EDT

OCTOBER 17, 1975

FRIDAY

MR. NESSEN: I don't have anything.

Q Could I get a question out of the way before you get to New York?

MR. NESSEN: Yes.

Q What is the President's view on tariffs, trade restrictions and the like? I ask the question because I am sitting in Les Kinsolving's seat. (Laughter)

MR. NESSEN: It is an inherited trait, right?

Q --but Frederick Dent has cabled back asking for a file on this because he is being told by negotiators at the General Agreements on Trade negotiations why the United States --

Q Is somebody mumbling up in front?

MR. NESSEN: I will restate it.

Dick is talking about Secretary Dent's cabling back for some instructions on trade negotiations. It is the first I have heard of it, Dick. I will have to look in on it.

Q Do you want to tell us what is going on, if anything, since the President met with Seidman?

MR. NESSEN: Let me try and straighten out a certain amount of confusion.

Let's go back to last night at 12:25 when an aide of Mayor Beame telephoned the White House and asked for the President.

Q Have you got his name?

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MR. NESSEN: I don't. Somebody might want to stand here and collect the questions.

The call was given to Terry O'Donnell. The aide to Mayor Beame said the Mayor felt default was imminent in the morning and wanted to advise the President of that personally. Terry told the aide that the President had gone to bed for the evening but that he would act on the phone call to find out what should be done.

Terry called Bill Seidman, who was at home and awake, because throughout the day and evening he himself had been in touch by telephone with various people in New York, and, in fact only 15 minutes before this call from Mayor Beame's aide, Bill Seidman had talked to other people there involved in the situation, namely Felix Rohytan.

Q Excuse me, was Terry in the White House or at his home?

MR. NESSEN: He was at home at that point.

Bill Seidman told Terry that he was aware of the situation and told Terry to call Mayor Beame's aide back and say that Seidman would keep the President advised. Terry did tell the aide to Mayor Beame that and Terry also told the Ushers Office to leave a note for the President to call Bill Seidman the first thing in the morning. The President got up at about 5:30 and talked to Bill Seidman at about 5:37 this morning.

He heard from Seidman the latest situation report on New York City and asked Seidman to have the monitoring group, that is, the Administration officials who, over the months, have been assigning to monitor the New York City situation and also told Seidman to make sure it was understood that the meeting of the monitoring group did not represent any change in the President's position but that it was only the latest meeting in the on-going series by the monitoring group.

Okay, now let's switch pieces of paper here and tell you the Senior Staff Meeting was somewhat short today, it ended at 8:15 and immediately after the Executive Committee of the Economic Policy Board met from 8:25 to 8:45. That consisted of Bill Simon, Alan Greenspan, Jim Lynn and Bill Seidman. Two other people who were in the Senior Staff Meeting and are somewhat involved on the fringes of economic policy stayed on for this meeting. They were Frank Zarb and Roger Porter. Roger Porter, I think you know, is the Deputy to Bill Seidman.

Q How long was that?

MR. NESSEN: From 8:25 to 8:45. At the end of that meeting, Bill Simon and Alan Greenspan went back to their own offices.

Now, there was another economic meeting in the building today that was totally unrelated to New York City. But just so you will know it occurred, from 8:45 to 9:15; it was a scheduled and totally unrelated meeting of the Council on Wage and Price Stability. Bill Seidman was the presiding officer there and, as I say, it had nothing to do with New York City.

Okay, now at the conclusion of that meeting --

Q Which meeting?

MR. NESSEN: Wage and Price Stability Council meeting. Bill Seidman went back to his office which is in the EOB, as you know, and there held a meeting of the so-called monitoring group.

Q He is in the West Wing?

MR. NESSEN: He is in the West Wing.

Q No.

MR. NESSEN: This was in his EOB office, if he has both.

At that meeting, those on the monitoring group --

Q Did you mention the time of that?

MR. NESSEN: Immediately following 9:15, so somewhere shortly after 9:15, the monitoring group met in Bill Seidman's EOB office. Those who attended were Bill Seidman, Dick Dunham as a representative of the Domestic Council, Antonin Scalia, Assistant Attorney General in the Office of Legal Counsel representing the Justice Department, and Calvin Collier, Deputy Associate Director for Economics and Government in the OMB. The Treasury Department member who normally attends the monitoring group, Edwin H. Yeo, the Under Secretary of Treasury for Monetary Affairs, was not present for this, but Bill Simon has been in touch with the situation all morning.

The two other people -- that monitoring group meeting lasted from shortly after 9:15 to 9:50, and two other people attended who are not direct members of the monitoring group, They are Jim Lynn and Roger Porter.

Arthur Burns has an open invitation to attend any meeting of the Economic Policy Board or the monitoring group which he wishes to attend. He did not attend either of the meetings this morning. The President also did not attend either of the meetings this morning.

In addition to the phone call at 5:37 from Bill Seidman, the President --

Q Was it from Bill Seidman or to Bill Seidman?

MR. NESSEN: To Bill Seidman or with Bill Seidman, the President placed the call. The President talked by phone with Bill Simon sometime about 10:45, and met with Alan Greenspan for about a half hour, from 10:30 to shortly after 11:00. And that is about where it stands.

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Q Was the Economic Policy Board meeting concerned with the New York situation?

MR. NESSEN: Yes, this is the Executive Committee of the Economic Policy Board.

Q Ron, there seems to be an awful lot of conferring for a guy that doesn't intend to do anything.

MR. NESSEN: As the President has said all along, he wants to monitor the situation closely. The events of today are quite fluid. The situation is unclear at the moment and he wants to make sure he is kept up on it as the events occur during the day.

Q Is it quite firm that he does not intend to change his position on New York City?

MR. NESSEN: Yes.

Q He does not intend to change it?

Q Question?

MR. NESSEN: Ralph's question was, is it quite firm that the President does not intend to change his position on New York City, and I said yes.

Q Ron, the question then still remains why is all this activity going on in the White House if he has no intention of doing anything, or is there something he can do that we are not aware of?

MR. NESSEN: Well, the activity is going on, as I said, because the situation is fluid and changing and unclear, and he wants to be kept informed of it.

Q Ron, what was the President told by Greenspan in that half-hour-long meeting?

MR. NESSEN: I didn't sit in on it but it was bringing him up to date on where the situation was at that point.

Q Is this sort of a case of wanting to make a 'legislative record' of what he did during this period of time before it fell?

MR. NESSEN: No, not at all. It is simply to find out what is happening and to relay that information to the President.

Q Ron, at any of these meetings did the economic advisers review the arguments for not doing anything about New York and reconfirm that the decision was a sound one? I mean, did they give any consideration to making a contrary recommendation to the President?

MR. NESSEN: My understanding is they know the President's position, they know his position hasn't changed, and it was strictly a question of keeping up with the developments there.

Q Ron, are there any plans to meet with Mayor Beame or anybody from New York this afternoon?

MR. NESSEN: I don't know of any plans to.

Q Ron, did you say that the call that came through from the Beame aide said Mayor Beame wanted to talk personally with the President at that time?

MR. NESSEN: That Beame wanted to advise the President personally that the mayor felt default was imminent in the morning.

Q But the White House did not put the call through to the President because he was asleep?

MR. NESSEN: Not at all. Terry checked with Seidman and Seidman indicated he was keeping the President informed.

Q My question is: Did Beame want to talk to the President at that time, at 12:25 a.m.?

MR. NESSEN: That is what my notes show, yes.

Q The call was not put through?

MR. NESSEN: It was put through to Seidman for a judgment on whether it should be put through to the President, and the decision was that Seidman was aware of the situation, he was keeping the President informed on the situation, and he felt it was not a matter that the President could do anything about at that hour and didn't need to be wakened at that hour.

Q Shortly before the briefing began, in New York Congressman Alan Peyser said he had been in touch with Burns and Simon --

Q Peter Peyser.

Q I am sorry, Peter Peyser -- and said he had been in touch with Burns and Simon and he had been told, "The Federal Government will not, as of today, step into the situation."

He went on to add, "The answer is very plain. Simon stated they would not take any action today."

MR. NESSEN: I can't speak for Dr. Burns, but I can say flatly that the President will not take action today to prevent a New York City default.

Q Today?

MR. NESSEN: The President will not take action to prevent a New York City default.

Q You are eliminating "today?"

Q You are striking the "today?"

MR. NESSEN: Yes.

Q Without the "today" that means he will not, period, never. Is that what you mean to say?

MR. NESSEN: We are dealing with the situation today, but if it offends you or makes you feel there is some opening or crevice there, I want to assure you that the President will not take action to prevent a New York City default.

Q That gets to a philosophical question, if I might. In every instance in American history, when somebody gets in trouble, the Government always goes to the rescue. It was in the depression, and then the New Deal problems of F.D.R. When a portion of the country is devastated by hurricanes or tornados, the Federal Government rushes in with small business loans and disaster relief.

Why, when New York City is on the brink of disaster, does the President consider it philosophically and morally wrong to help New York City?

MR. NESSEN: I don't accept any one of your premises, one of which is that this is a natural disaster or act of God. It is a self-inflicted act by the people who have been running the financial affairs of New York for a long time.

Secondly, the President's position is not based on philosophical or moral grounds. There are a number of reasons for the President's position. For one thing, he has no statutory authority to go in and give any kind of long-range aid to solve New York City's problems at the moment.

Even if he did, he doesn't believe that some kind of short-term infusion of a few million dollars is going to lead to what is really needed, which is a permanent solution to New York City's financial problems.

Q Has the President decided what he will --

MR. NESSEN: Further, the President believes that New York City and New York State, as we have stated, both have within their own ability the means to solve this problem to get New York City's financial affairs back on a sound footing and the end result of which will be to restore the confidence of banks and private investors so that New York City will be able to sell its debt paper.

Bob?

Q Can you conceive of any kind of legislation that the Congress could draw up to provide some sort of interim aid for New York that the President would approve?

MR. NESSEN: Bob, I just don't know how to answer that kind of question.

Q He said the other day he had seen no legislation thus far he would approve to provide financial aid. I am still not clear in my mind as to whether he would veto any attempt by the Congress to bail out New York.

MR. NESSEN: I haven't seen any legislation, and he hasn't seen any legislation. I just think it is too "iffy" to answer.

Q Has the Vice President met with the President or does the President plan to meet with the Vice President?

Q Question?

MR. NESSEN: The question was, has the President met with the Vice President this morning? The answer is, not that I know of.

Q Ron, about the chronology, when Seidman took the message from Terry O'Donnell and said the President was being kept informed, can you tell us the last time -- did Seidman talk to the President last evening and bring him up to date on that point?

MR. NESSEN: I can check that for you, Adam. I don't have the time of the last meeting with Seidman yesterday.

Q Ron, if the President so chose, could he advance funds from Medicare, Medicaid, or something like that to tide New York over, if he chose to do that?

MR. NESSEN: I don't know whether he has such authority but, in any case, he won't because he believes that that kind of thing is not an answer to what New York City's financial problems are.

Q Do you know what the President's position was on bailing out Lockheed and Penn Central?

MR. NESSEN: I don't. It was before my time but the situation is seen here as being quite different.

Q In what way, Ron?

MR. NESSEN: Those were industries which had plans which -- let me be sure I am precise -- let me check on that.

Other than to say the situations are quite different, let me pull together the reasons for that feeling here.

Q Ron, if I could go back to these various meetings that were held today, I am not clear as to just exactly what you are saying was done at those meetings, except you say "reviewed the situation."

Were various recommendations for action reviewed and discarded? Did they go back over various alternatives of actions that could be taken, initiatives that the President could take and discard them?

MR. NESSEN: Marty, my information is that these meetings were purely to keep up with a rapidly changing, fluid and unclear situation. I think, if you followed the wires today, you know how quickly it has changed and how many leads have moved, and it was to keep up with the changing developments that the meetings were held.

Q Let me ask my question again, then. Let me just go back to it. Did they discuss any recommendations for action that might be taken by the Administration, and did they then reject these?

MR. NESSEN: As far as I know, they are all clear on what the President's position is, which has not changed.

Q In other words, they did not discuss any recommendations for action?

MR. NESSEN: As far as I know, they didn't.

Q Ron, in other words, the President is accepting Secretary Simon's assessment that a default by New York City on its bonds will not affect the national economy seriously or the national bond market, municipal bond market across the country; is that correct? He said that three or four times.

MR. NESSEN: I don't know whether that has specifically been discussed this morning or not.

Q Ron, among the matters discussed this morning, do you know of any action that the President's advisers have told him that the Federal Government could take without legislative authority, but action that might stem the situation; any action that is being considered within the White House?

MR. NESSEN: Bob, I think they all know that his position is that he does not intend to take action for the reasons I have given to prevent a New York City default.

Q I am sorry, that is not my question.

My question is: Is there any action which he could take, whether he will or not?

MR. NESSEN: Is there any action he could take?

Q Right. Does he have the authority without further legislation to take any action and have they discussed this?

MR. NESSEN: I don't know of any action that he could take at this point. I don't know of any legislative authority he has at this point.

Q Is he going to meet with any of these people again today; is there going to be a meeting of this group with the President?

MR. NESSEN: This group is pretty much hanging around in their offices or in smaller sized meetings pretty much through the day and they will, if there is any change in the situation that they feel needs to be brought to the President's attention, do it.

Q Are there any meetings --

MR. NESSEN: There are no meetings scheduled with the President right now.

Q The way your previous statement was phrased, it seems fairly clear the President doesn't intend to take any action to prevent the default. Are there any contingency plans now being made for action in the event that the default does occur with New York City officials seeming to say there doesn't seem to be any way to avert it?

MR. NESSEN: Again, Dick, I think, you know, the question is premised on the possibility of New York defaulting, and, again, the President believes that New York City and State have the ability to solve this problem without a default.

Q Between now and 3:00 this afternoon?

MR. NESSEN: Yes.

Q Solve it today?

MR. NESSEN: Yes.

Q How?

MR. NESSEN: It is not up to the Federal Government to tell New York City how to solve its problems, or the State.

Q Apparently the Federal Government sees a solution that has eluded the State and local officials. Don't you feel it incumbent on you to suggest it?

MR. NESSEN: I don't think it is proper for the White House to dictate to New York City or State what the solution is, but the President believes there is a solution.

Q Ron, are any of these people trying to change the President's mind?

MR. NESSEN: Another thing, Marty, I think Adam points out, it sounds like I am saying yes, there is a plan and we know what it is, if they would only adopt it.

What I am saying is the situation is quite fluid and New York City and State are right this moment exploring ways to avert a default. It is not that they don't know what the ways are. They are working on them at this minute.

Let me give you the name of the New York City aide to the mayor who called early this morning. His name was Mel Lechner, who is the City Budget Director.

One of the reasons that Bill Seidman felt that it was a matter that did not require waking the President was that he knew that there were a number of steps this morning, including a meeting with the teachers -- I think you have all read about it on the wires -- that was scheduled for 7:00. So between 12:25 and 7:00 when this meeting was to take place in New York City, Bill Seidman made the judgment there was nothing the President could do in those four and a half hours or so.

Q Ron, are any of the advisers trying to change the President's position --

MR. NESSEN: The question is, are any of these advisers trying to change the President's position? No.

Q Will you take my question now? Mayor Beame will be in Washington tomorrow. I was wondering whether possibly he might be meeting with the President?

MR. NESSEN: I didn't know he was to be in Washington tomorrow. He doesn't have a meeting scheduled.

Q Ron, he is supposed to testify -- as a follow-up to the question, Ron, I want to say he is supposed to testify, I think, before the Senate Banking Committee, or at least to meet with them. As far as you know, there are no plans for the mayor to meet with the President?

MR. NESSEN: That is right. There are no plans.

Q At the end of this meeting of the monitoring group, was there any kind of formal conclusion or information, anything they drew up that Seidman or anybody else there presented to the President and said, we have been looking at the situation and this is what it is?

MR. NESSEN: Greenspan went in about 10:30 and brought the President up to date on the factual situation. Bill Simon called him about 10:45 with further information.

Q Would you anticipate one of these gentlemen would meet with the President again this afternoon and give him a report as of the close of the banking day?

MR. NESSEN: I would think as the day unfolds and as there are developments they think should be brought to the President's attention, or at the time they think he needs to be brought up to date on the situation, he will, but there is nothing scheduled.

Q In the event New York does actually default today, will the President have a statement on the subject?

MR. NESSEN: I have no plans for one right now.

Q Are you aware of any discussion in the White House involving the political consequences of the failure of the Federal Government to help New York?

MR. NESSEN: I am not.

Q Ron, I want to follow up one of Dick Lerner's questions. It has been reported orally and in writing that in the event New York City defaults, that if the firemen and police are not paid they will immediately employ job action, will stop work and this can lead to serious consequences within a large city. Would you know -- has this been brought to the President's attention? Are there any plans, or any talk about what the Federal Government could do?

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MR. NESSEN: It is an awful "iffy" question,
Cliff.

Q No, it isn't.

MR. NESSEN: As I say, the President believes
New York City and State have the means to avert a default.

John.

Q Ron, any actual meetings apart, has there been
any communication between the President and anybody else
associated with him at the White House and the Vice President
on this matter this morning?

MR. NESSEN: The President has not met or talked by
phone with the Vice President this morning. However, they were
together at the Kleppe swearing-in and whether he talked there
or on the way back from there, I haven't had a moment to check
yet, because it was just immediately before this.

Q Ron, you say the State and the City have the means
to do this. Mayor Beame is saying the matter is imminent.
Are you aware of what the means are, of what the White House
thinks the means are?

MR. NESSEN: Mayor Beame and Governor Carey are
apparently aware of the means because they are working on
various ways to do it today.

Q Has the White House or the Administration had
any input at all into their thinking about means that are
available?

MR. NESSEN: I don't think at this stage they have.
You know at one meeting which Beame and Carey both attended,
and one meeting Beame alone came to, there were some ideas
discussed on both sides of the table of some ways that
New York City could bring its expenditures more in line with
its revenues.

Q That was a long time ago. That does not affect
a default in a matter of hours, that was a long-term solution.

MR. NESSEN: That is what New York needs, a long-
term solution.

Q Also they need to try to stave off default
today if they can, and you have said the White House--the
President--believes there are ways they can avert default today?

MR. NESSEN: That's right, that is what Mayor Beame is doing today, if I read the wires correctly.

Q Has the City or State been made aware of the Administration's ideas on the subject in any way.

MR. NESSEN: Today or in the last few days?

Q How to avert default today?

MR. NESSEN: Today, I don't think they were given any advice today.

Q My question is had they been made aware of the Administration's thinking as to how the City could avert default today, whether they were told yesterday or the day before?

MR. NESSEN: Since this series of the meetings?

Q Yes.

MR. NESSEN: Not that I know of.

Q Ron, you say the President knows of a solution or solutions --

MR. NESSEN: No, I didn't say that.

Q The President believes there is a solution but --

MR. NESSEN: That New York City and New York State have the means to avert a default.

Q Now the question is does the President believe there must be a solution, somehow there must be a way? Is that a general feeling on his part or does he know of a specific way New York can avert default today?

MR. NESSEN: I don't quite get your question, John.

Q There is a difference between someone saying there must be a solution and someone saying, yes, there is a solution and I know what it is.

MR. NESSEN: Mayor Beame is there today working on specific solutions, John. He doesn't need advice from Washington on that.

Q Does he know about the one you have in mind here?

MORE

MR. NESSEN: I don't know that there is an A-B-C plan on paper, Marty, but Mayor Beame has his own plans because he is pursuing them right this minute.

Q It sounds a little like you are saying, "I know but I won't tell you."

MR. NESSEN: Not at all.

Q Ron, if New York does go into default today, what does the President think the immediate effects will be?

MR. NESSEN: I think the President's advisers have talked to him about that and I think his advisers have said all the things publicly that they have said privately. Arthur Burns says, and said this morning, if I read the wires correctly, you ought to check the exact quote, but the fact is the Federal Reserve Board is there to do its assigned job, which is to protect banks, and I think Bill Simon has said publicly that the effect on the municipal bonds of other communities, whatever effect there is going to be on them, has already taken place, that people who buy municipal bonds for a living don't do it on emotion, they do it on hard facts. And New York City's financial problems, presumably, would not weigh in a judgment of how would Oklahoma City or Montgomery County or Chicago, Illinois pay off its debts. There is no connection between the two.

Q And no effect on New York City itself?

MR. NESSEN: In the sense of firemen, policemen and so forth?

Q Yes.

Q Finish your answer but I would like to follow up with a question, because I think there is something else there you didn't answer. You did address the economic and monetary implications of it, but what are the President's personal views about what might happen to that City. Has he expressed any?

MR. NESSEN: I have not heard any personal views expressed.

Q Ron, from whom, if anybody, has the President been getting policial advice on the New York City matter?

MR. NESSEN: Peter, in every meeting I have ever attended, large meetings and small meetings, there has never been one word that you would call politics.

Q That isn't what I mean. I am talking about the political consequences of New York City's default. From whom has he been getting advice?

MR. NESSEN: I don't know that he has gotten any advice on the political consequences. As I say, every meeting I have ever sat in, it was never discussed in political terms, either, as to whatever political might be involved in his decisions or what the political fall out might be.

I have never heard it discussed here, Peter.

Q Ron, has the President expressed any attitude about the effects of a default on New York State and New York State's finances and what would happen if New York State went into default as a result, and, secondly, has he expressed any thoughts about the people of New York and about the effect on them of not having police, teachers and so on?

MR. NESSEN: On the question of New York State defaulting, I think that is just so premature to talk about anything like that, Mort. You know New York City is working today to avert a default and I just don't see how I can talk about a hypothetical New York State default.

But the second part of your question has to do with the people of New York City. The President, I think, has said clearly and publicly a number of times, and has expressed his sympathy for the people of New York City, and his views that the people who manage their affairs over the years should have done a better job so that the people of New York City would not be undergoing what they are undergoing today.

Q Ron, was there any talk this morning about who is going to pay for that boy's car up in Hartford?

MR. NESSEN: No.

Q Ron, what about the insurance. Has he talked about that?

MR. NESSEN: I don't, frankly, know what the insurance situation is with that automobile, which I understand is leased from the Ford Motor Company. There must be some form of insurance on it, I would think, but I understand Jack Warner is discussing who holds the insurance and what kind of policy it is, and so forth.

Q Ron, is President Ford aware that Abe Beame is going to be in town tomorrow?

MR. NESSEN: I don't know whether he is aware or not.

Q If New York defaults today, does the President plan to meet with Abe Beame?

MR. NESSEN: I don't think it is a question if it does or if it doesn't. There are no plans for a meeting with Mayor Beame at the moment.

THE PRESS: Thank you.

AT THE WHITE HOUSE

WITH RON NESSEN

AT 4:51 P.M. EDT

OCTOBER 17, 1975

FRIDAY

MR. NESSEN: How do you want to do this? Do you want me to just say --

Q There is nothing new?

MR. NESSEN: No.

Q But everything has changed.

Q How does the President feel about New York City's not going into default today?

MR. NESSEN: The President feels that New York City and New York State have the means to clean up the financial mess in New York City and get the city's finances on a responsible basis, to get a plan that will enable the city to live within its means for a change, and that is his reaction.

Q Did anyone from the White House contact Shanker at the Teachers Union and ask them to go along with the city's request for money?

MR. NESSEN: I have checked in the White House and nobody I can find has checked with Shanker.

Q Along the same lines, can you tell us when the White House learned of Shanker's plans?

MR. NESSEN: They learned from the UPI wire story at 2:28, I think it was. I was in with the President and somebody brought me a piece of wire copy, and I showed it to the President, and that was the first he knew of it.

Q How did the Vice President then know about it?

MR. NESSEN: Why don't we redo whatever it was the people asked for from this morning's briefing and then we will come to that point.

Q That stuff is irrelevant since it is changed.

MR. NESSEN: I thought what I was asked to do was come here and state the President's view, which is that he doesn't have any plan -- and I can tell you flatly -- he doesn't have any plan to take action to prevent a New York City default.

First of all, he doesn't believe he has the authority to provide any long-term aid to New York City and even if he did he wouldn't do it because he doesn't believe that any quick infusion of a few million dollars is going to solve the long-term problems of New York City. Those problems can only be solved by the mayor and his officials and by the Governor and the State officials.

Q Mayor Beame is going to be in town over the weekend, and I think next week, testifying before Congressional committees. Are there any plans for him to meet with the President?

MR. NESSEN: As far as I can find out, Mayor Beame has not requested any meeting at the White House.

Q He wanted to speak with the President last night when he called. Has the President himself spoken to Mayor Beame or anyone else in New York?

MR. NESSEN: Not today.

Q Ron, how did the Vice President know roughly an hour before the Shanker announcement was on the UPI wire?

MR. NESSEN: I have spent a lot of time checking this out.

I guess we don't need the film for this.

Q Why not?

MR. NESSEN: I don't mind.

I spent about an hour checking this out and let me tell you how it comes together, if you will. Let me do it chronologically, if I may.

Some time before 9:00 this morning, Peter Goldmark, who is the Budget Director for New York State, telephoned Jim Cannon. He called Jim Cannon because he was unable to reach Dick Dunham, who would have been his normal contact on the monitoring team the President has set up to watch carefully the developments in New York City.

Peter Goldmark told Jim Cannon that it looked like Albert Shanker was not going to do anything but that Governor Carey had called Shanker to come to the Governor's office in New York City to discuss the situation.

Goldmark also told Jim Cannon that he hoped it was possible perhaps to get some relief from Levitt, who is the State Comptroller and the trustee for the State Pension Funds.

A short time after that conversation, Goldmark did get directly in touch with Dunham and told him the same thing.

At about 10:00, Jim Cannon had to go to the Vice President's office to discuss a number of subjects with him and one of the things he said was this is a crucial day for New York City. He then related to the Vice President the conversation he had had with Goldmark during which Goldmark said it didn't look like Shanker was going to do anything, but the Governor had called him to the office and so forth.

At about 1:15 or 1:30, the Vice President was asked some questions at his house during a reception, and I think you know what he said at that time.

I called the Vice President just about 15 minutes ago, I think, and he says that he was simply confused in what he said at his house between 1:15 and 1:30; that what he said was based on his conversation with Jim Cannon at 10:00 this morning and that he thought that what Jim Cannon was relaying to him, from the phone conversation with Goldmark involving Shanker, had been told directly to Cannon by Shanker.

Q What is the President's position right now regarding the possible veto of legislation that might come out of the Congress?

MR. NESSEN: The President has looked at about six or eight different ideas that have been proposed for legislation and proposed by both Members of Congress and people outside of Congress, and the President simply has not seen anything in those six or eight proposals that he believes would help or would be worthwhile and, in fact, he sees most of them as being harmful.

Q You say most of them?

MR. NESSEN: I am sorry, he thinks every one of them -- the President has not seen any piece of proposed legislation that he believes would be helpful.

Q Does he believe that now you have \$150 million from the Teachers Union that this gives them a breathing spell of about six weeks, as I understand? Does he believe this provides an opportunity to put the economic house in order?

MR. NESSEN: The President believes that New York City and New York State have had the opportunity and the ability for a long time to clean up the financial problems of New York City.

The financial problems of New York City actually amount to a 6 percent spread between what New York is spending and what it is taking in. And New York City has not closed that 6 percent spread. They have not -- they continue to spend more than they take in and they have done that for 10 or 12 years, and that is their problem.

Even at this moment of crisis they still won't close that gap by reducing their spending. They have not been able to convince the State of New York, which has the immediate and most pressing legal concern and obligation to New York City. The City has not been able to convince the State that it is doing enough to get its expenses under control to have the State provide any help, much less asking the Federal Government to ask taxpayers all over the country to bail out New York City when it won't take the steps that are needed to close that 6 percent gap.

Q Well, the Federal Government will bail out communities with their tornadoes, hurricanes and things like that. Sometimes they bail out big corporations. Why not New York?

MR. NESSEN: In response to the question on why isn't New York treated like a community struck by natural disaster, this is not a natural disaster. It is not an act of God. It is an act brought about by the people who have been running the financial affairs of New York City for the last 10 or 12 years.

Q That sounds like Lockheed. Why isn't New York treated the way Lockheed was treated?

MR. NESSEN: The difference between the Federal help that was provided to both the Penn Central and Lockheed Company -- the differences are great.

Now in the case of Penn Central, the Federal Government didn't enter that matter until there was an actual bankruptcy, and then the decision was made that this was a major national security matter to preserve a railroad that served something like 16 or 17 States, and the Federal aid that was provided to the Penn Central Railroad was not provided to help the stockholders in any way, whereas the help the Federal Government is being asked to provide New York would be to bail out the stockholders or the bond holders of New York City.

In addition, before it would provide any aid to the Penn Central, the Federal Government made sure that it was going to have a major role in running the railroad and in the management of the railroad. I don't think anybody is proposing that the Federal Government play a major role in running or managing New York City.

In the case of Lockheed, it was determined that Lockheed was a major national security interest because it was the supplier of a number of major weapons systems. The Federal Government paid no money to Lockheed. The Federal Government merely guaranteed or underwrote a line of credit. The fact of the matter is that that line of credit has not been used at all or has only been used to a small extent and the Lockheed loan guarantee has cost the Federal Government nothing.

Q Didn't that help the stockholders?

MR. NESSEN: The other difference there is, again, before providing that money, Congress insisted that the Federal Government have authority over the management of Lockheed. So again, are you suggesting that the Federal Government in return for guaranteeing loans take on a major role in managing the City of New York?

Q Would you describe what, if any, contingency plan exists in the event that New York City defaults to the extent where it cannot meet payrolls, city fire and police, sanitation?

MR. NESSEN: I can't answer that question because the President believes that New York City and State have the means to prevent a default. The difference between what New York spends and what New York takes in in revenues is only 6 percent and the President believes that New York City ought to be able to close that gap between its spending and its revenues, get its finances in order and thereby convince the State to come to its aid -- it has not yet convinced the State -- and then the problem will be solved without default and without any need for help.

Q Can you answer the question, is there a contingency plan in the event --

MR. NESSEN: The President doesn't believe that New York has to default if it and the State will take the steps that are within their means.

Q Despite that belief, is there a contingency plan?

MR. NESSEN: Not that I know of.

Q Has a study been made to indicate there would not be violence in New York if the city were to default?

MR. NESSEN: I don't know of any study like that, John. I would simply say if you look at the situation you will see that what is at issue here is really \$3.2 billion in short-term notes that need to be turned over with regularity, and there is a 6 percent difference in what New York takes in and what it spends.

But New York has the money to make its payrolls. New York has the money to pay off its long-term bond holders. If it would do just the things that are needed to convince the State to help it -- it has not been able to convince the State it is doing enough yet.

Q Couldn't New York declare it is a corporation and then bankrupt, and say its young men are part of a valuable weapons system and it needs some help? (Laughter)

Q Ron, did the White House play any role at all in the working out of the situation in New York today or did it merely monitor it?

MR. NESSEN: It merely monitored it, Fred. I have checked with Jim Lynn, Bill Simon, Bill Seidman, Alan Greenspan, Jim Cannon, Dick Dunham, and the Vice President and the President, and none of those people were involved in calling Albert Shanker or in any other way except to watch the situation.

Q Does the President have any reaction to Shanker's decision and the teachers' decision?

MR. NESSEN: The President's reaction is that New York City and New York State have the ability to work out New York City's financial problems, get the city on a sound financial basis for a change, and thereby avert the threat of default.

Q Ron, is the President pleased or is the President disappointed that New York didn't go broke today? (Laughter)

MR. NESSEN: Dick.

Q That is kind of a good question.

Q You have given us the impression he doesn't care one way or the other. Is that true?

MR. NESSEN: I was asked what his reaction was to what happened in New York City today.

Q You gave us that before. Is he pleased or displeased?

MR. NESSEN: It is his reaction that New York City and New York State have the ability to solve its problems.

Q You said that before.

MR. NESSEN: I don't know that the President has or needs to have a reaction to every step in this process.

Q Does he feel that what happened today further justifies what he has been saying?

MR. NESSEN: I don't know what you mean by that, John.

Q In other words, New York City didn't go into default today and he has been saying all along New York City can keep itself from going into default.

MR. NESSEN: The President believes that New York City and New York State have the means and needs to undertake a long-term solution to the City's fiscal problems.

For ten or twelve years New York City has lived beyond its means. It has spent more every year than it took in and the President believes that now is the time that the City and the State need to stop that and to get the City back on a sound basis.

Q You say "has the means". Does what happened today indicate further it has the means?

MR. NESSEN: When the President says the City and the State have the means to solve the problem, he means that the City has the ability to close the gap of 6 percent between what it takes in and what it spends.

Q Just a minute, I have one question. You said, I think -- I just want to make sure I have it straight -- that nobody in the White House, to your knowledge, was aware of Shanker's decision until you read about it on the wires?

MR. NESSEN: As far as I can determine, and I talked to all these people and I was the one who told the President and he certainly did not.

Q I am not talking about from Shanker, but somebody else in New York, there was no information?

MR. NESSEN: I have not been able to find out anybody who knew about it until it appeared on the wires.

Q Ron, I have one question. On this question of aid to New York City, I think most mayors and most Governors have now informed you that the ripple effect of New York's financial affairs have made it financially prohibitive for them to go into the markets, some of them having even to withdraw such important issues as school bonds. How can the President ignore this national interest?

MR. NESSEN: If you are the mayor and you know your city's bond rating was judged on your city's ability to repay those bonds and the way you managed you city's fiscal affairs -- the people who buy municipal bonds are pretty hard-eyed about it and not swayed easily by emotion.

Whatever happens with New York City's bonds and notes are not expected to affect in any major way the ability of other cities to sell their bonds and notes as long as they run their cities in a fiscally responsible way so that the people who buy those notes and bonds are convinced they will be repaid.

The real question is, is the President and the taxpayers all over the country, including your city, going to dig into their pockets and pay off bond holders and note holders? That is what we are talking about using the money for. We are not talking about using the money for the people of New York. We are talking about paying off banks and bond holders and note holders of other kinds.

Should the President ask people all over the country to use their money to pay off bond holders and note holders because the people who have managed New York's fiscal affairs for the last ten or twelve years did a bad job of it?

Q The thing that is incontrovertible is the bond market does reflect the problems of a place like the City of New York. No matter what the good housekeeping of an individual city is, the market itself becomes a tougher market when you have a major default like this.

MR. NESSEN: The judgment of the financial experts here is that each city's interest rate on its bonds is judged by its ability to repay and the way it runs its finances and the people who buy these are not swayed by emotional feelings. They make hard-headed financial decisions, which is the reason for cities to manage their affairs better than New York City has managed its affairs.

THE PRESS: Thank you.

END (AT 5:09 P.M. EDT) #349