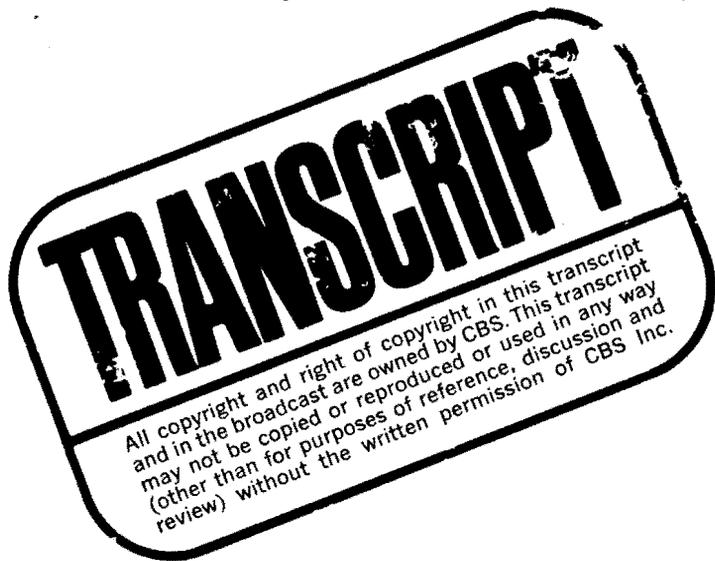


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FACE THE NATION

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and the  
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Origination: Washington, D. C.

GUEST: ~~WILLIAM B. COBET~~  
Director of Central Intelligence

REPORTERS:

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David Wise, Author

Daniel Schorr, CBS News

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HERMAN: Mr. Colby, you have warned of the dangers to the CIA from all these congressional investigations. Chairman Pike of the House committee said on this program last week that he thinks that as the CIA stands today, if there were to be an attack on this country, the country wouldn't know it in time. What is your answer?

MR. COLBY: Well, I think Mr. Pike is wrong in that. I indicated that I disagreed with him. He also said, I believe it was the day before yesterday, that--challenged us to name one single situation in which we'd warned the country of a possible attack. He seems to have forgotten the Cuban missile crisis, on which intelligence did warn the country of a very direct threat to our country. I think today we have the best intelligence in the world, and I think that the American people can be assured that we can warn our government of potential attack or other kinds of problems that we can face around the world.

ANNOUNCER: From CBS News, Washington, a spontaneous and unrehearsed news interview on FACE THE NATION, with the Director of Central Intelligence, William E. Colby. Mr. Colby will be questioned by CBS News Correspondent Daniel Schorr; David Wise, author; and CBS News Correspondent George Herman.

HERMAN: Mr. Colby, in fairness to Chairman Pike, I believe I should probably point out that the burden of his statement was that the CIA has millions of very--or thousands of very hard-working good people at lower levels--that they would find out about a possible enemy attack or something of that sort, but that it would get lost in the upper levels and wouldn't get through to the government in time.

MR. COLBY: Well, that's, of course, why CIA was produced--

because it was a follow-on of Pearl Harbor, where there were certain indications to the fact of possible attack but they were not put together and assembled and given to the senior levels of the government in a fashion that clearly pointed out the danger. The idea of CIA was to centralize all the intelligence available to the government; and as a result, we now have access to all the kinds of material that our government learns, either from open sources or from technical sources, or from some of our clandestine sources. In that respect, we then have to put the different pieces of the jigsaw puzzle together, and arrange them, and order them, and make a projection as to what they really mean.

Now the easiest thing after any crisis is to find that single report that predicted it was going to happen. The question you have to look at is how many other reports cried wolf earlier, and secondly, how many other reports predicting exactly the opposite exist. The process is an intellectual one of analyzing all of these different reports, putting them together, and hopefully coming out with the right answer.

On the particular instance Mr. Pike cited--the Arab-Israeli war in 1973--we did make a wrong prediction. But we really don't run a crystal ball. What we really try to do is arrange all the things, improve the understanding of our government of the factors and forces at work, and then, to the extent possible, warn of the dangers, warn of things, but not give absolute predictions.

WISE: Mr. Colby, perhaps the CIA has gotten away from this warning function a little bit. For example, why did the CIA open a letter from Senator Church to his mother-in-law? Did you think that his

mother-in-law was a dangerous character, or did you think Senator Church was a dangerous character?

MR. COLBY: I don't know why that was opened. Since 1973, we have stopped that kind of activity. It was wrong then. It was wrong whether we opened the mail of Senator Church or President Nixon or Mrs. Jones. It was equally wrong for all parties.

SCHORR: Mr. Colby, you've been coping valiantly with the problems of the CIA in the past year as a series of investigations descend upon you, and several times you've said that you've been subject to criticism for being too candid. You've never really explained--at least not publicly--what are the pressures on you within the administration, where is the criticism of you coming from inside the administration, and do you think that you'll survive that criticism in your current job?

MR. COLBY: Well, I think there are men of good will on all sides of various of these questions. There are those who wish that we didn't have to say anything at all, because that was the old tradition of intelligence; there are other people, in the government and in intelligence, who believe that we should expose everything so that we can get over it and get on with the future. What I've been trying to do is maintain the morale of both groups, that we are trying to create a responsible intelligence in America, that we want it to work within the laws and the Constitution. But at the same time, there are some secrets of intelligence that we have to keep, and it's those secrets that somehow--sometimes they leak, but I think we have been able to keep most of those secret, at the same time being quite open about some of the other developments of our intelligence business.

SCHORR: Let me be more specific--

MR. COLBY: There are different people who evaluate the line between those two extremes differently. We're perfectly straightforward in our disagreements, both within our discussions, and you see indications of these disagreements in the press.

SCHORR: Well, one of the disagreements that I see some indications of--it appears to be so that last December, you took the responsibility for informing the Deputy Attorney General, Laurence Silberman at the time, of the possibility that one of your predecessors, Richard Helms, may have committed perjury, and turned over to the Justice Department for investigation a possible--a possible perjury. I don't like to--I don't want to prejudge it. One gets indications that you've been not only criticized, but that maybe Secretary Kissinger and perhaps Secretary Schlesinger--I'm not quite sure--has gone to President Ford, saying that you've made an awful mistake there. Why did you feel it necessary to refer the Helms matter to the Department of Justice, and how high does your problem in the administration go?

MR. COLBY: Well, I don't think it's only that. There were a series of events which later came out, of course--the mail opening and various things of that nature--that we had investigated. We set out rules against any repetition of those, but in the course of the studies there were very strong positions taken as to the rectitude or non-rectitude of those various activities. There was an old understanding between the Department of Justice and the CIA that the CIA could evaluate whether the revelation of some activity would do so much damage to our intelligence business that it would not be worth prosecuting. That seemed a little bit dubious to me, and I did raise

that question with the Deputy Attorney General, and he indicated that that understanding was not proper and could not endure--at which point I was obliged, under the normal law, to inform him of any potential activity which would transgress the law. It is my opinion that there is no one in CIA who could be convicted of any--of any crime. There were things that were done wrong, but they were either done because they were believed to be right or within the color of the law there is a justification for what they did. There are various of these things, but I do not believe that any of our employees can be found actually guilty. But that is not for me to decide any more; that is now a matter for the Justice Department--

SCHORR: But then, what happened after you referred the Helms and other matters to the Department of Justice? Apparently, the roof came in at some points around the White House or a couple of departments. I mean, is it then not true--Secretary Schlesinger admitted on this broadcast two weeks ago that he had talked about your problem to President Ford last March, I believe. Secretary Kissinger has admitted nothing, but apparently was also involved. What is your problem with these cabinet officers?

MR. COLBY: Well, I don't think it's a problem. I think it's just this question as to what the proper line is between exposure and secrecy, and there are honest differences of opinion as to how this should be done. The fact that I'm still in my office is an indication that the President has not turned his pleasure somewhere else, because I serve him completely at his pleasure.

HERMAN: One of the things that you've said here, and that you said before in a newspaper interview, troubles me a good deal--that is,

your belief that none of the CIA employees can or should be indicted, because they acted under the belief that what they were doing was proper, even though it was illegal. I'm a little troubled by the idea that if the CIA believes something is good or proper, that therefore it becomes legal and nobody can be indicted for it.

MR. COLBY: No, I'm not saying that at all. I'm saying that the-- an attempt to prosecute an individual--I think that any jury would give consideration to the circumstances in which he did the act, and I think that the possibility of a successful conviction would depend upon the evidence of some wrong intent; and that in the circumstances of the times, in the 1950's and the 1960's, there were things that were considered quite appropriate at that time, which are no longer considered appropriate.

HERMAN: Apparently something as simple as the break-in on Dr. Ellsberg's psychiatrist--the people who broke in, we know from their testimony, believed they were doing something right and proper for the government of the United States.

MR. COLBY: And I think that's a question for a jury to decide. I don't have any problem--it's not for me to decide--

HERMAN: But don't you have a feeling about it?

MR. COLBY: --I'm expressing my belief that the circumstances, as I know it, we would not have any of our employees actually convicted.

WISE: Mr. Colby, do you think that the CIA should kill the political leaders in other countries, and have they ever done so or attempted to do so?

MR. COLBY: I have many times turned down suggestions to that effect. In 1973 I issued directives that the CIA would have nothing

to do with assassinations, would not stimulate them, condone them, support them or conduct them. Therefore, I think that the answer is that we should not. Very clearly, I do not think this subject a good one to go into public discussion of for two reasons. I think we can sear into our national history a very damaging wound. And I think secondly, that some of the facts of these things--because of the ways these matters were discussed at the times there--are very murky as to who was part of it and who--where the approval and how detailed the approval was. But it is not a subject for a public discussion--

WISE: Are you saying there was an attempt, an actual--

MR. COLBY: I am saying the situation was very murky, and that I really don't believe that this subject is an appropriate one for an official to be talking about.

WISE: So how are we going to get the facts about it, then?

MR. COLBY: We have reported all the facts to the Senate committee; they have examined the matter independently as well, and I think they can come to a conclusion which--on the basis of the evidence available to them. But I do not believe it appropriate for open public discussion, because I think we can hurt our country very seriously.

SCHORR: Does that mean that when Senator Mondale mentions the-- as he did in a speech this week--the existence of a group called The Executive Action Group in the--for a couple of years in the early 60's, which was charged with responsibility for making plans, hypothetical or not, for the assassination of various persons--that you'd rather not talk about that?

MR. COLBY: We have reported everything on this general subject to the committees, but I don't believe that it's appropriate for pub-

lic discussion.

SCHORR: You don't dispute the little that Senator Mondale has--

MR. COLBY: I don't say one way or the other. I just don't believe the subject is appropriate for public discussion. Some others may disagree with me, but that's my view.

SCHORR: But there will be public discussion when the Senate report comes out.

MR. COLBY: There has been quite a lot of public discussion, but I--

SCHORR: There has been and there will be.

MR. COLBY: --don't think it appropriate for me to discuss it in great detail.

HERMAN: Are you satisfied with the prospects for security of what you have told the two committees?

MR. COLBY: I think our record to date has been quite good in the Senate--

HERMAN: No, I'm talking about them, Mr. Colby.

MR. COLBY: Yes, yes.

HERMAN: Do you think that they will keep secure the things that you want kept secure?

MR. COLBY: Well, I think the Senate has kept its matters quite careful. We had a discussion last week, as you know, with the House committee, as to the details of how we would do things. I think that is an arrangement; it's a compromise arrangement, and it affords a vehicle for reasonable men to come to good conclusions as to what should be exposed and what should be kept quiet. There may be some individual leaks; you journalists are very energetic in prosecuting

the possible statements of one man and comparing it with another, and adding up to an overall story. But I would hope that the discipline of the Senate and the House committees and their staffs would be as good as the discipline of the executive branch. And neither will be perfect. Neither are perfect at the moment. But I would hope that we Americans, as we try to make intelligence responsible, we can be responsible ourselves in the way we do it.

(MORE)

WISE: Mr. Colby, you said that assassination is not a good subject to be discussing publicly, but at a hearing about two weeks ago you displayed that poison dart gun at the Church committee hearing in the Senate, and I wondered if that gun or that type of weapon has been used against any foreign political figures?

MR. COLBY: The gun has not been used. The gun was brought up there because the Senate committee rather insisted on its being there. I didn't volunteer it certainly, but it was a part of the evidence that was submitted to the committee, and there was really no reason to say that it was so highly classified that it could not be exposed.

SCHORR: Mr. Colby, one of the -- as one gets around this country one finds that one of the things that will not go away is the popular misunderstanding about the assassination of President Kennedy. I guess you've run into that, and time and time again people ask me and I guess they ask you, did the CIA do it. I've said as far as I know, the CIA had nothing whatsoever to do with the Kennedy assassination or any conspiracy in this country against any American public figure, but --

MR. COLBY: Right.

SCHORR: -- one of the reasons people don't understand the role or lack of role of the CIA is that there are things that the CIA did know about tangentially connected, and which apparently didn't come out. I'm talking about, for example, the series of conspiracies to try to kill Castro, which was never communicated to the Warren Commission, as far as I know. John McCone as director, Helms as deputy director, testified and didn't tell the Warren Commission anything about that. Would you care, if you feel that way, to say that covering up things that didn't matter, like that, didn't matter that much, was

a mistake and gets the CIA blamed for a lot of things it didn't do?

MR. COLBY: Well, the CIA is somewhat accustomed to being blamed for a lot of things. In that case, CIA did provide to the Warren Commission everything it knew about the assassination, about Oswald and so forth. It did not apparently display this matter, but you must remember that Mr. Allen Dulles was a member of the Warren Commission, and he certainly knew something about this general subject, and he could have brought that question in very easily.

SCHORR: Can you say now that other than its involvement with Castro who -- and that which may or may not have been involved with what was going on in Oswald's mind, that the CIA had no connection with Oswald, no connection, is not hiding anything in the way that we're finding out that the FBI destroyed certain documents, that the CIA has nothing further to reveal about the Kennedy assassination?

MR. COLBY: Certainly not, not about Mr. Oswald or about the assassination. We have provided all the material we had that was in any way relevant to the matter to the Warren Commission, with the single exception of the possible stories about Mr. Castro, which I think were considered as not relevant at the time.

WISE: Wouldn't the CIA have wanted to brief Oswald, debrief him when he came back from the Soviet Union, ask him about his travels in the Soviet Union? I've always wondered about that.

MR. COLBY: Well, there was some consideration of that, but he had other connections, other contacts, in the context where any debriefing could have been handled through that.

WISE: I don't understand.

MR. COLBY: He had some other contacts, as I think has come out

in the record, with the United States government, other aspects of our government, and that any debriefing that was appropriate could have been handled through that manner.

WISE: Are you suggesting the FBI might have interviewed him?

MR. COLBY: I think there is in the record the fact that there was some contact early on with the FBI.

HERMAN: When you say could have been handled, are you actually saying was handled by the FBI?

MR. COLBY: I don't know the answer to that. I'm not aware of the details of the FBI's experience.

HERMAN: Do you consider that the CIA is now bound by law, like laws passed by the Congress and signed by the President, to the point where it cannot conduct overseas operations?

MR. COLBY: No, I don't think so at all. We're --

HERMAN: I mean operations, not in the sense of gathering intelligence but of operating against a government or for a government or for a political party?

MR. COLBY: No, I think not. The question of whether we should be allowed to conduct these things, these kinds of operations, was raised last year in both the House and the Senate, and both the House and the Senate voted that we should continue to do so. At the same time --

HERMAN: But in a very --

MR. COLBY: But at the same time a regulation was put in that we could only do other than intelligence gathering if the President found it important to the national security, and it was reported to the appropriate six committees of the Congress. We are in compliance with

that law, and we are able to do things in compliance with that law. There is obviously a risk in exposing secrets beyond a very limited group, but at the moment we are following the law and I have every intention to continue to follow the law.

HERMAN: How do you inform the committee? Do you inform just one member of the committee, the chairman?

MR. COLBY: It's up to the committee, the way we -- to set up the arrangements. In some cases we inform a small group; in some cases a larger group.

WISE: On that point, you've said that the CIA gets its authority to conduct so-called covert political operations from the rather broad language of the law that set up CIA. Now, if Congress gave CIA that power, do you believe that Congress could take it away? Could Congress prohibit covert operations altogether, and if they did, would you obey that law?

MR. COLBY: Oh, certainly they could. That was the question of the bills put in Congress last year, and both the House and the Senate turned them down. If they had barred it, of course we would obey the law.

WISE: But, you see, that leads into the question of suppose the President ordered a covert operation to be conducted despite this act of Congress. Would you --

MR. COLBY: Well, this came up in my confirmation hearing. They asked me what I'd do if I were directed to do something that was wrong. I said this very easy, I'd leave the job.

SCHORR: Mr. Colby, the White House indicates that plans for the reorganization of the intelligence community are being considered,

probably will not reach definite shape until the current wave of investigations is over. Are you a part of the planning of this reorganization, and do you expect to play any part in administering the new shape of things?

MR. COLBY: Well, I certainly am participating in the different discussions, as to how this ought to be arranged, different kinds of thoughts as to how it ought to be structured in the future. I have submitted my comments on both the Murphy Commission report and on the Rockefeller Commission report, and I have discussed these to some extent with the various other people in the intelligence community, and with the policy levels of our government. Certainly I expect to play a part in any changes which are developed.

SCHORR: No, what I really mean is -- this was the original question which you bypassed much earlier in this broadcast -- do you -- is your role about coming to an end? Have you been expended in saving the agency, and having been expended; do you expect to be leaving at some proper point in the next year or so, or do you still think you'll be in office a year from now?

MR. COLBY: I really don't decide that question myself. That's a question for the President. I serve at his pleasure --

SCHORR: You work on forecasts --

MR. COLBY: I serve at the President's pleasure. It would depend, I think, on the restructuring that is finally decided, the developments from now on, as to how things happen. At any time that either the President or I thought that the intelligence business would be better off with someone else, why I would clearly withdraw, or I would be asked to.

SCHORR: My question is really one where your talents as an intelligence analyst come into play. You know how much trouble you've made for yourself by what you've had to do. You know how many people disapprove of your candor, and every time you've gone to Congress and told about some new little thing that went wrong, the people involved might have been angry at you. Do you think that you can preside over a united agency with what you've had to do?

MR. COLBY: Well, it's been, I think, very united in these past weeks and months. I think it testifies to the toughness of spirit of the people in the intelligence business. They have had a terrible buffeting, and I think that they have stood together and stood very well. There have been some unease and some concerns and all the rest of it, but they have held their morale and discipline very well. Whether I'm an essential element of that, I really don't think that I'm an essential element to it. It might be that some day a new face would be a mark of a new start and the investigation period is over and we can get back to the important work of our country.

SCHORR: When do you suggest that?

MR. COLBY: As I said, if either the President or I felt that the intelligence operations of our government would be better served by having a new face, why I would leave.

HERMAN: You said a moment ago that if you were asked to do something wrong, you would resign. That speaks well of you, but how about the organization -- supposed to be equal justice under laws -- equal application of the laws -- is the law and the government so set up that if somebody else were in your place, he could not disobey the will of Congress?

MR. COLBY: Well, I think the clear evidence today is that the people in CIA and in the intelligence business are as conscious of the American attitudes, feeling about wrongful acts, as any other Americans --

HERMAN: Are they in agreement with it?

MR. COLBY: They are in agreement, they do want to conduct an intelligence business in our society which does follow our laws, and I think that if any effort were made to do anything wrongful to get them to do things that are wrongful, there would be objection and they would not do it.

WISE: Mr. Colby, the CIA, according to what we've been hearing and reading, has broken the law in some cases and done some, as you yourself have said, some terrible things. It's opened mail, it's engaged in domestic surveillance, there have been break-ins and wire-taps, failure to destroy poison, and what not. Now, do you agree with the recent testimony of James Angleton, who was your chief of counter-intelligence, that we must sacrifice some of our liberties in order to preserve our freedom?

MR. COLBY: No, I don't think so. I think America has had secrets, it has lots of secrets in the ballot box, in the grand jury proceedings, even the Congress has secret sessions. If secrecy is necessary to the operation of part of our democratic government, I think we Americans can respect the secrets. I think we have to really decide between sensation and safety, between publicity and protection, and I think we have to draw a line there so that we Americans, as we look into our intelligence business, are really responsible as we try to make it responsible.

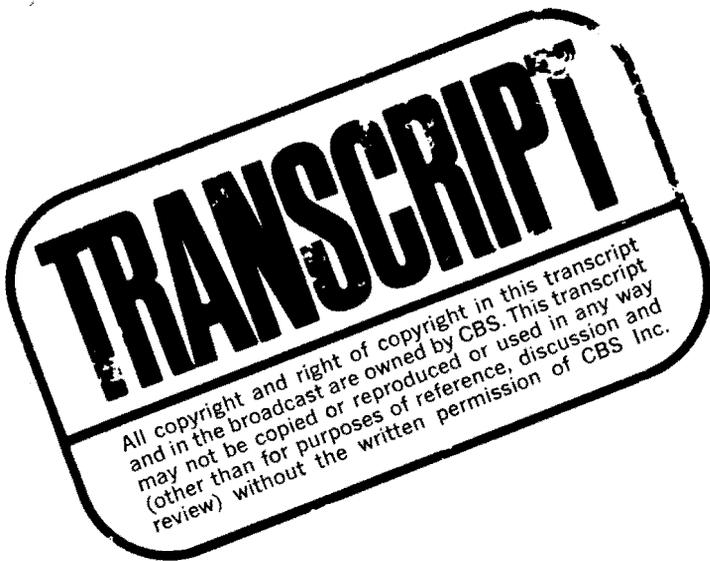
HERMAN: Is that where we are now?

MR. COLBY: I think it is. We are at the question of whether we can conduct a responsible investigation, make the improvements in our system so that we can conduct a responsible intelligence business under the Constitution and laws of our country.

HERMAN: Thank you very much, Mr. Colby, for being with us on Face the Nation.

MR. COLBY: Thank you.

ANNOUNCER: Today on FACE THE NATION, the Director of Central Intelligence, William E. Colby, was interviewed by CBS News Correspondent Daniel Schorr, David Wise, author, and CBS News Correspondent George Herman. Next week another prominent figure in the news will FACE THE NATION.



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GUESTS: SEN. JAMES B. ALLEN (D.-Ala.)  
SEN JACOB K. JAVITS (R.-N. Y.)

REPORTERS:

George Herman, CBS News

George F. Will, Syndicated Columnist

Robert Schakne, CBS News

Producer: Mary O. Yates

Associate Producer: Joan Barone

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HERMAN: Senator Javits, Senator Allen, New York City is coming rapidly up on the next in its series of payment crises. Will there be legislation in Congress to help it out in time? Senator Javits?

SEN. JAVITS: I believe there will be, because I believe the Congress is impressed with the fact that there is no reason why New York should be allowed to go down the drain or be compelled to go into bankruptcy. The city can be saved, and the state can be saved, and that's the big vacuum in President Ford's outlook. He doesn't realize that if the city goes, the state is likely to go.

HERMAN: Senator Allen?

SEN. ALLEN: I do not believe that there'll be any such legislation. This legislation that as proposed merely postpones the day of reckoning. It sets a bad precedent. It's just like giving alcohol to an alcoholic on his pledge that he's going to quit drinking. I think that Congress realizes this, and I do not believe that Congress <sup>will</sup> yield to the pleas of the--of the New York politicians.

ANNOUNCER: From CBS News, Washington, a spontaneous and unrehearsed news interview on FACE THE NATION, with Senator Jacob K. Javits, Republican of New York, and Senator James B. Allen, Democrat of Alabama. They'll be questioned by CBS News Correspondent Robert Schakne, Syndicated Columnist George F. Will, and CBS News Correspondent George Herman.

HERMAN: Well, we have a sharp difference of agreement. Senator Javits thinks there will be legislation; Senator Allen thinks there will not. Senator Allen, a lot of people seem to think if there will not be legislation to help New York City, it's largely going to be because of your doings. Is that correct? Are you sort of the leader of

the bloc to stop--

SEN. ALLEN: Well, I wouldn't say that. Senator Harry Byrd of Virginia is taking a very active interest in seeking to defeat this legislation. We both believe that it would be bad for the nation, it'd be bad for local governments generally, be bad for New York City, it'd be bad for the people, it'd be bad for the taxpayers, and it will just postpone the day of reckoning, unless New York ha become a ward of the federal government. And I don't suppose anybody wants that.

WILL: Senator Javits, if New York City does get federal aid, it will largely be because of two fears. One is the fear that it'd have a bad effect on the economy, and the second, that there might be payless paydays and even civil disorder in New York. If such fears produce federal aid for New York this time, won't the city of New York be able to use such fears forever to avoid the necessity of balancing its budget?

SEN. JAVITS: That is not the case at all, and for this reason. New York has going/<sup>to</sup> be subjected to great privation. There have already been 31,000 employees released, and there will--and there should be more. And the people of New York are now the highest taxed in the nation, and they're going to continue to be taxed enormously. New York capital improvement projects cannot go forward, and won't for years, under the regime which the state is already imposing. New York, which has been so proud of home rule, will not run its own affairs for at least five years, and must cut its costs by at least eighteen per cent to balance its budget in three years. It's got a very Spartan regime, and the future of New York could never be in any way promising if it had to continue this way; so that the city has got to pull itself out,

and will. It is not a bail-out. It is the most condign repentance which any American city has had to endure, including those that went into default in the Great Depression.

SEN. ALLEN: Senator Javits, I might say that the Wall Street Journal, which I assume is the oracle of the financial community, takes a different view. They say that if you do bail out New York, you'll have Mayor Beame coming back in a very short time asking for more and larger guarantees, that the only sound way to handle this is for New York City to go into bankruptcy, where they'll have the power to get concessions from the big labor unions, where they'll get the opportunity to cut back. And they say the cuts won't be made unless they go into bankruptcy.

SEN. JAVITS: Well, now, the cuts have got to be made, or they cannot get any federal guarantee on the tough board which the federal government has put up--will absolutely guarantee that. So the Wall Street Journal can fume all it wishes about its ultra-conservative positions but it can't deny the facts. And the Bank of America, which--

HERMAN: Senators, we have our own questions, as well as those raised by the Wall Street Journal.

SEN. JAVITS: Well, let me just say what the Bank of America--

HERMAN: Why don't we get Mr. Schakne's question in first, and then we can return to some other newspaper's question. Let that--let that Wall Street Journal question you on its own time.

SEN. JAVITS: All right.

SCHAKNE: Senator Allen, I take it you hold the position that a default in New York will not seriously harm the rest of the country, but the argument has been made that indeed it will, that--the argument

has been made by major banks. The Bank of America today said it would have national implications. In addition, Federal Reserve Chairman Arthur Burns said that recovery will be hindered. You can get scenarios that the consequences of default will be very, very serious. Doesn't that worry you?

SEN. ALLEN: Well, yet Chairman Burns is recommending bankruptcy. He recommended that to the Senate Committee on Banking. I don't suppose anybody will know the full consequences of default by New York City until we experience it. Actually, they're in de facto default now, as everybody knows. Now I do not believe that it would hurt. We see--

HERMAN: What does that mean, Senator?

SEN. ALLEN: I don't believe it would affect the ability of sound municipalities to--

HERMAN: No, I mean what does de facto default mean?

SEN. ALLEN: Sir?

HERMAN: I don't understand the--

SEN. ALLEN: Well, they're not able to pay their obligations without coming to the federal Treasury for assistance. That's the reason I say they're in de facto default now. They wouldn't be here today; we wouldn't be on this program right now if New York City was not in de facto default.

SCHAKNE: But how can you be so sure, Senator, that other cities will not have trouble marketing their bonds--

SEN. ALLEN: Well, we see them in the market place right now. We see them in the market place right now.

SCHAKNE: But they're paying huge interest rates in many cities.

SEN. ALLEN: Well, no, the state of Maryland was able, just the other day, to sell 85 million dollars worth of bonds at 5.27 per cent interest--five point two seven. That's a very low rate of interest any way you look at it.

SCHAKNE: But you can--aren't you picking and choosing which city--

SEN. ALLEN: Well, I don't know of any others that have paid exorbitant rates of interest except New York City, which has been paying about ten per cent. So I think you'll find the financial community, right up until the time that New York goes into actual bankruptcy--you'll hear them say that this is having a bad effect on the economy, a bad effect on the municipal market; but you're going to find them changing their tune, once New York goes into bankruptcy, to, why, it hasn't hurt us at all.

SEN. JAVITS: Well, now, in the first place, New York is not in any default, de facto or otherwise in the--and that's a very, very serious charge which is completely baseless, and indicates the kind of argument we're getting. Second, fourteen mayors appeared before the Joint Economic Committee and testified that they had to pay a minimum of two points, or two per cent, more on their paper, and that they believed the whole municipal market--for cities--we're talking about cities--would have to be shut down. And Chicago, just the other day, couldn't sell its bonds; and yet its senator, Senator Percy, brags about what great shape Chicago is in, because of Mayor Daley. Now I'll take the word--if I may, Senator--I'll take the word of the Bank of America, the largest bank in the country, and a California, not a New York bank, which says default in the national interest should be averted; New York would be punished, surely, but the punishment cannot

be localized; the entire nation would suffer. Now there's no reason whatever for pulling the plug on New York's first city, when it will cost the nation nothing to save it, and when it's saved Lockheed and is about to save Penn Central and lots of other commercial concerns.

HERMAN: Here we go again. We're going to have the battle of the editorials. I see Senator Allen--

SEN. ALLEN: That's certainly interesting, saying it's not going to cost the Treasury anything, because initially they're going to put four billion dollars into this, and then they'll be coming back for more.

SEN. JAVITS: I'd like to answer that.

SEN. ALLEN: You had something about the Bank of America. This is what Mr. Eliot Janeway, one of the foremost economists in the country, had to say this morning--says **demagoguing** about default has become the name of the political game about New York. The reality behind the posturing is that New York City's bankruptcy has been established for months. So if that's not de facto bankruptcy, I don't know what is.

WILL: Senator Javits, you're accepting the position that some strings must be attached to federal aid given to New York,<sup>and</sup> let me ask you about a few specific strings. Thirty-one per cent of New York City's assessed valuation is in apartments that are rent-controlled, and that restricts the growth of its tax base. Do you think the federal government should require repeal of rent control?

SEN. JAVITS: No, I cannot say that, because the federal government should require what is necessary to the financial health of its people. It should not punish its people when it isn't necessary.

WILL: Two hundred--

SEN. JAVITS: And I don't believe--just a second--I don't believe that with the economies, which are in--definite in the plan--the plan will not be approved otherwise, and the guarantee will not be forthcoming otherwise, it will be necessary to have this drastic elimination of rent control; and the United States should not be a stalking horse for a people who've been after eliminating it for years. The vacancy/<sup>rate</sup> in New York is still too low to accept an abandonment, the complete abandonment of rent control.

SEN. ALLEN: That's not in the bill, by the way, Senator Javits.

SEN. JAVITS: Well, it's in the Senate bill, and the Senate committee has the power to do it.

HERMAN: Well, we're never going to get through the list of amendments that George Will has to propose if we have a--

WILL: Another possible string that could be a requirement--that those among the 220,000 students at the city university who can pay tuition should pay a tuition comparable to what they pay in Michigan or Wisconsin or at other state universities. Would you be in favor of that?

SEN. JAVITS: I am in favor of reviewing the tuition problem in connection with the possible entry of the city university into the state university, but I'm not simply for accepting the condition of elimination because 32 million dollars has already been cut out of the budget of the city university, which is the exact amount of tuition that would be paid. So the other students are dividing the burden. Now whether it's desirable to go beyond that, I'm not going to foreclose right now. But I certainly wouldn't accept the fact that that's

got to go out the window.

WILL: Okay, I think you've rejected two possible strings. Would you--

SEN. JAVITS: I haven't rejected a thing, sir. I've qualified how they're to be applied with some intelligence and not to serve the will of those who have been seeking to eliminate these things for years, long before the financial crisis.

WILL: Would you suggest a specific string the federal government should attach to its aid?

SEN. JAVITS: Yes, the specific string must be, in my judgment, the restructuring of the debt of the city of New York, which will be done; the balancing of its budget within three years, which will be done; and a renegotiation of / <sup>the</sup> pension agreements with the New York unions. Those are certainly--there may be others that I'm not thinking of this minute. In addition, let's remember that the city has already met one of the big strings, which is to increase the fare of its people. And let us remember that in New York, about half the people have less than the median national income. That's the position to which the city has been reduced, increase that fare from 35 to 50 cents.

(MORE)

HERMAN: Are you basically through your list of conditions? I don't mean to interrupt, but I want to get to Senator Allen.

SEN. JAVITS: No, my fundamental point is really two. One, and I'd like to answer what Senator Allen has said, it is unnecessary because the federal government is asked to give a guarantee, and the taxable real estate in New York is worth \$100 billion. And everybody that testified before us in the Congress has admitted that New York will ultimately pay. Now if the federal government's guarantee is called, it will not pay in cash--it will issue bonds, long-term bonds, so under no circumstances is the federal government at hazard unless it lets the city go. If it does, and then it foots the bill for the damage, which the President indicates he will, then it is really at risk.

SCHAKNE: Can I ask Senator Allen--your contention is that the federal government should not pay for New York's sins, but the argument is made that if the city does default, in fact, legally and technically, that the federal government will have to pay more than its loan guarantee costs. For instance, a billion dollars shortfall in cash--

SEN. ALLEN: I haven't made that argument, and I haven't made that concession, because I believe if New York City can get a moratorium on its debt -- you know, it is taking in over \$11 billion a year, its budget is 12.2, and it's taking in within \$600 billion/of that, so it will have plenty of money if it can get a moratorium on its debt.

SCHAKNE: But if it has a moratorium on its debt in December alone, it will be short something close to \$300 million for its

payroll, vendor payments, and other things -- a billion dollars in its payments other than debt, between now and next month.

SEN. ALLEN: Well, of course if it goes into bankruptcy, the trustee could issue trustee certificates, conditioned on the tax anticipation, and have plenty of money.

SCHAKNE: But suppose no one bought them -- why would anyone buy bankrupt --

SEN. ALLEN: Because it would be a saleable security, because it would come ahead of everything else, and would be a lien on the anticipated tax revenue. I believe New York has the financial know-how, the fiscal know-how, to solve its problems. It's the capital of the financial world, it has the best financial brains in the country there, and I believe they can work this out --

SCHAKNE: How?

SEN. ALLEN: -- and I believe that voluntary bankruptcy is the solution.

SEN. JAVITS: Well, why run all that risk --

HERMAN: May I pursue something with Senator Allen for a moment, Senator Javits. We asked Senator Javits at some length about strings to be attached to any federal bail-out legislation. Is there any set of strings which would make guaranteeing or assisting through legislation the City of New York -- is there any set of strings or conditions which would make such legislation acceptable to you?

SEN. ALLEN: No, but I don't think the way to approach it is with strings, because you're going to find --

HERMAN: Is there any way of conditioning it?

SEN. ALLEN: -- You're going to find -- well, just remain aloof

from it, because it is a local problem, and if we take over New York City --

HERMAN: The answer is no.

SEN. ALLEN: -- you're going to come out --

HERMAN: You wouldn't accept it with any --

SEN. ALLEN: Well, I want to state this -- the imposing of conditions has already made Senator Javits irate right now. The imposing of these conditions would make New York City politicians and people mad at the federal government, and they're going to claim that the federal government, even though it lends a helping hand, is the villain, so if we leave them to work out their own problems, which I think they have the ability to do, I believe that's the best in the long run, and I believe that will be of benefit to the citizens of New York. I believe I'm standing up for the citizens of New York, because they've been ripped off by the politicians, and have been ripped off by the big banks, and have been ripped off by the municipal labor union leaders, and I might say they've been ripped off by the bond service companies as well, the bond --

HERMAN: You said this a number of times in the Senate and various writings -- what I'm trying to get is, without worrying about the feelings of the people of New York, I gather from what you say that you would not support legislation to assist New York, whatever conditions or strings were attached to it?

SEN. ALLEN: No, it's not necessary, and it would lead to the nationalization of all of the municipal deficits throughout the country, and it would lead us down the primrose path of national bankruptcy, in my judgment.

SEN. JAVITS: I'd like to answer some of those things. The main one is that it's a great day when Jim Allen is going to stand up for the eight million citizens of New York, and the implication is that I'm not, and that he knows better than we do exactly what is good for us; and secondly, about this temporary financing, without which the city could grind to a halt or have tremendous commotion, which you mentioned, Mr. Schakne -- the bankers have testified before us time and again that nobody will buy New York paper. Therefore only the federal government stands in the way, and let us talk about the federal government for just one minute. This is the government of all the people of the United States, including the eight million in New York, and it is unfair to divide the country, and it is divided, according to a survey this morning, by 49 who say don't help New York, but 42 percent who say do. Now that's a lot of people, and it includes most of the young. And finally, what the President has failed to tell the American people, and this is critical, is that the Governor of New York says that if New York City <sup>goes,</sup> we are likely to go. And this is a union of states, and we have not let a state go, and the least the President can do, in fairness to the nation, is to say we will not let New York State go, we will finance New York State so that it doesn't go. The minute he says that, it changes the whole situation, both for the state and the city.

SCHAKNE: Well, why doesn't the state do some things it has been argued in testimony before Congress that it has not yet done -- like assume the welfare burden, as 49 other states do.

SEN. JAVITS: The state cannot assume the welfare burden because the welfare formula developed in the Congress by senators who think

just like Senator Allen does, is very harmful to New York and comparable states because it gives us 50 per cent of the welfare burden and most other states up to 80 per cent. The state can't do it; it hasn't got it.

SCHAKNE: But the state can take over New York City's share of the welfare burden, as, say, the State of Illinois takes all of Chicago's welfare burden by an act of the state legislature.

SEN. JAVITS: But it hasn't got it. It is \$600 million a year, and the state is nearly down the drain now, and that's not my opinion, it's Moody's and Poor's, the people who rate state bonds. That's why I say what I do. Let the President in all fairness tell New York State -- we won't let you go, now you take care of New York City; that's a very different tune than he's been singing up to now.

WILL: Senator Javits, New York is a wealthy state, and New York City is a wealthy city within that state, and the median family income is about the national average; the median family income of black families is above the black median family average. The welfare caseload, measured by Aid for Dependent Children, is lower than in Baltimore, St. Louis, Washington, Philadelphia, Newark and other cities. How is it New York can't pay its bills?

SEN. JAVITS: I'll tell you exactly. There are three reasons for that. One is it's got a 12 per cent unemployment. Two, it suffers from many iniquities and wrongs of the past, but I challenge any American to say that that is a reason for punishing eight million people, five per cent of the population of the United States, in round figures. And thirdly, and very importantly, New York has taken a welfare load, because from the South in the 60's came well over a

million migrants, and from Puerto Rico, American citizens entitled to go anywhere, came, roughly, between 750,000 and a million. They replaced the taxpaying population; they are a welfare population. And with all the chiseling or anything else anybody wants to accuse welfare people of, the highest conceivable figure anybody mentions is 15 per cent -- that still leaves 85 per cent of the lame, the halt, the blind, the poor, and the helpless. And New York, unlike other states, including Senator Allen's Alabama, pays \$80 a person a month -- that ain't no fortune to a mother who is getting federal-state-city aid, whereas Alabama pays \$20. Now I'm not casting stones at Alabama, but I say that's not profligate, as far as New York is concerned.

HERMAN: Something has been cast at Alabama, and I think Senator Allen deserves a little time. I have a specific question I want to ask you, if it doesn't interrupt what you were planning --

SEN. ALLEN: Well, I wanted to say -- Senator Javits talking about punishing New York. Well, he's the man who's advocating this legislation, which he says punishes New York. Now I'd like to point out that this legislation that has come out of the Banking Committee will certainly perpetuate this shortfall there in New York, because it carries over New York's old nemesis which is short-term credit. This bill limits the term of this borrowing to one year, and a \$4 billion guarantee would not be able to be paid at the end of one year, and it would freeze in their short-term borrowings that has brought them to this state of affairs.

SCHAKNE: It could be rolled over.

HERMAN: You give New York City no chance, if they are given a brief respite of any kind, of getting its house in order? You

think it is going to continue to be an alcoholic, so to speak?

SEN. ALLEN: I see no chance whatsoever, except by the long-range method of going into bankruptcy and standing on their own feet. I believe that's the way to do it. In the long run this is best for the average citizen of New York. Now Senator Buckley takes a long-range view, and he's got the courage and the statesmanship to stand up in an election year and say that it's best for the people of New York to solve this thing on a long-range basis. And much as I admire Senator Javits, whom I feel is one of the greatest senators from the standpoint of ability -- I'll have to take my hat off to Senator Buckley, who has the courage to say let's solve this thing on a long-term basis, and I stand with him.

HERMAN: Senator Allen, you, as did Senator Javits, voted for aid to Lockheed Corporation, when it was in trouble.

SEN. ALLEN: Yes.

HERMAN: The President referred to that as probably a mistake. Do you think it was a mistake?

SEN. ALLEN: No, I don't think so. That did no violence to our federal system, and certainly Lockheed was a defense supplier, and you know, government doesn't produce anything. Lockheed was producing something. Also we have the precedent that in the Depression, 4,770/<sup>local</sup> government units went under, and the government did not come to their rescue, and the RFC did lend to thousands of private enterprises in order to keep jobs going. Now then too, this has been a great investment for Lockheed and the American taxpayer because they have --

HERMAN: In mid-Lockheed, Senator, I have to choke you off. Thank you very much for being with us, Senator Allen and Senator

Javits, on Face the Nation today.

ANNOUNCER: Today on FACE THE NATION, Senator Jacob K. Javits, Republican of New York, and Senator James B. Allen, Democrat of Alabama, were interviewed by CBS News Correspondent Robert Schakne, Syndicated Columnist George F. Will, and CBS News Correspondent George Herman. Next week another prominent figure in the news will FACE THE NATION.