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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF
JAMES T. LYNN
DIRECTOR OF THE
OFFICE OF MANAGEMENT AND BUDGET
HUGH L. CAREY
GOVERNOR OF THE STATE OF NEW YORK
AND
ABRAHAM D. BEAME
MAYOR OF THE CITY OF NEW YORK
THE BRIEFING ROOM

4:07 P.M. EDT

MR. NESSEN: I have two pieces of business, first, before I introduce everybody.

There have been some queries about the Reuters story that I think you know about, concerning a Navy reconnaissance plane being hit by gunfire. Let me just say the story is essentially correct, and I cannot go any further than that.

We are preparing a statement by the White House by the President on the sustaining of his farm bill veto. We should have that for you shortly.

To report on the meeting about New York City's financial problems, we have the Mayor, Mayor Beame, Governor Carey, and Director Jim Lynn.

Gentlemen?

GOVERNOR CAREY: Thank you, Mr. Nessen.

On behalf of the people of the State of New York, I deeply appreciate the warmth and understanding which was shown by the President, as the Mayor indicated the purpose of our visit. The extent to which the President listened and inquired about the problems we face was such that we felt encouraged to this degree:

The President had said that he will look at this problem for 24 hours and then respond to us. This, I think, is an indication that he is doing this to give proper consideration to all the matters which were addressed in his presence with his advisers for more than an hour and 40 minutes.

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During all of this time, the President showed very definite and deep interest in the solution of the problems we face in New York City, and that is encouraging to me, on behalf of the people of the State of New York.

MAYOR BEAME: I want to add to what Governor Carey said that my own feeling that I was very much impressed with the fact that the President showed an interest and concern to try to help, and that various matters came up for discussion.

He talked about certain possible options, which he wants to consider, and that as the Governor indicated, that we expect to hear within the next 24 hours. I was pleased that he had an open mind.

MR. LYNN: I have nothing to add here, but will answer some questions, if they have some.

Q Are you going to stay here the 24 hours?

GOVERNOR CAREY: No, we have an appointment immediately with the leadership on the Hill. We are going there right now because part of our suggested solution would involve the understanding of the Congress on what would be required here.

Q Governor, what options are we talking about?

GOVERNOR CAREY: A variety of options the President is considering. I think it would be premature to discuss those until the 24 hour time has elapsed.

Q Are they the same options which were rejected by Secretary Simon?

GOVERNOR CAREY: I think it is correct to say that contrary to what spokesmen for the President had indicated, his mind was not made up, his mind was not closed, he listened and then took the matter under consideration for the 24 hours forthcoming. So, that is contrary to the notion that the President and the Administration position was such that there was no hope.

Q Mr. Lynn, you wanted to say something?

MR. LYNN: If I might on that subject, the context of this meeting is that Secretary Simon -- speaking on behalf of the Administration -- had made the statements that he gave with respect to there not being Federal assistance in the offing as to this matter.

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The President, however, upon the request of the city and the State, agreed to listen personally to the position of the city and the State. He has, as the Mayor and the Governor have said, listened, and I think it was a good give and take discussion of trying to bring out the facts very fully.

It is a situation where having listened -- I know the President well -- he likes to mull this kind of thing over, consider everything he heard carefully before he makes up his mind.

Q Mr. Lynn, does this mean that the President's position may change, that the Administration's position may change now?

MR. LYNN: I think what we will have to do is wait and see what the President comes up with. I can say this to you, that one of the concerns that the President expressed -- and I think there was general agreement about -- was that New York City's problems in this regard did not arise overnight. These are problems that have been in the making for years, that solutions, therefore, are not arrived at instantaneously.

However, it is a very good lesson, I think, with respect to cities and States throughout the country, that all of us, whether it is the Federal Government or local governments, have to keep our expenditures in line with our expected revenue.

The President is very familiar with this problem in his efforts to hold the Federal budget down to a reasonable deficit. \$60 billion is a big deficit. We are trying to hold it against bigger deficits.

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Q Is he going to visit the sins of past city administrations on the present citizens and Mayor of New York?

MR. LYNN: I think that is begging a question of whether he is visiting the sins one way or another. I don't think I ought to get into that.

GOVERNOR CAREY: We hope that by tomorrow, Mr. Lynn, he won't be a sinner, he will be a saint. (Laughter)

MR. LYNN: All I can say is that the President was deeply interested in the steps that the city and the State intend taking in this regard, deeply interested in those steps, and I would guess that there will be further conversations amongst representatives of the city and the State, and members of the administration, in the hours and period immediately ahead.

Q Mr. Mayor, is it save to assume that you did not hear today any legal doubletalk or specious arguments?

MAYOR BEAME: I think we heard from the President, what we would hope that he would say, that his mind is open, he is going to consider this, all the facts that were stated, and we hope that the decision will be favorable.

Q Mr. Beame, without disclosing the various options mentioned by the President, obviously you are talking to the Congressional leadership. Are you talking about things that need Congressional --

MAYOR BEAME: That was one of the areas discussed.

Q How about the area of the Federal Reserve?

MAYOR BEAME: There were various areas discussed.

Q Did the President give you any suggestions for perhaps trimming your own expenses even more?

MAYOR BEAME: I explained very clearly to the President exactly what we were doing in New York and I sincerely hope I made an impression upon him.

Q What role did the Vice President play in the talks, Mr. Mayor?

GOVERNOR CAREY: He attended and was very well informed on the subject matter.

MAYOR BEAME: The Vice President knows the situation in New York and we hope that he will be helpful.

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Q Do you think you got a better reaction than you expected today?

GOVERNOR CAREY: I have known the President for 14 years. I have known him to be a fair-minded man and one who makes firm judgments based upon the facts, and we are relying on that.

MAYOR BEAME: As far as I am concerned, I am glad that he had an open mind and that he didn't give us an answer right off the top of his head. He wanted to listen to what was said and he listened carefully. I sincerely hope that is going to be the way we --

Q Did he say he would get back to you tomorrow?

MAYOR BEAME: I beg your pardon?

Q In 24 hours. Did he say he would get back to you personally tomorrow?

MAYOR BEAME: He said he would let us know tomorrow, within 24 hours.

Q Governor, if the President's answer is no, can the State of New York and will the State of New York bail out the city?

GOVERNOR CAREY: The State of New York is limited in what it can do because by its constitution it must have a balanced budget. The State has a gap of its own. These matters are realized by the Mayor and will be made clear to the President. That is why we are here.

MAYOR BEAME: One of the things I want to emphasize, we are not asking the Federal Government for money for additional aid. We are not asking for revenues to balance our budget. We are merely asking for a bridge that will enable us to improve the possibility of cash flow in the market.

Q Mr. Mayor, do you leave the White House as gloomy as you were when you arrived?

MAYOR BEAME: I didn't know I looked gloomy. I was asked how I felt. I said, "I am always optimistic."

Q Are you as optimistic now as you were when you came in, or more so?

MAYOR BEAME: Well, I think we had a very nice conversation.

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GOVERNOR CAREY: I think the length of time that the President gave us to explore all possible avenues of assistance speaks for itself. It was a lengthy and very helpful meeting in getting an understanding directly to the President of conditions that we face in New York State and New York City.

Q Mr. Mayor, if the President, on reflection, says, "There is nothing I can do to help the City of New York with your cash flow," what happens to the City of New York then?

MAYOR BEAME: Why don't you ask me 24 hours from now?

Q What is the President's major objection or what is the reason, Mr. Mayor, right now why the Federal Government, particularly the Federal Reserve, will not be able to extend either further credit to the banks right now so they can be able to underwrite city securities, increase the money supply or to directly buy city paper right now?

MR. NESSEN: We ought to let Jim Lynn probably state the Administration position.

MR. LYNN: As I said in my opening remarks, the meeting was held in the context of there being an Administration position of not being willing to go to the Congress and seek authority to allow Federal guarantees of the debt.

There were a number of reasons for that position. One is a belief that there are fundamental problems that need to be thoroughly addressed by the city, itself, with respect to its expenditures, with respect to its revenues, its programs. There has been a good deal of discussion, we are aware, in New York at this point.

I should say the President today was very firm in his statement, without making any commitments whatsoever -- except to get back to the people -- that he wanted to see whatever proof could be provided him that the city is taking the kind of steps that are necessary to pull it out of the difficulties that it is in now; not just short-term, but intermediate term and long-term, because many of these problems are not problems of just today, as I think the Mayor would agree, these are problems that must be addressed with all three perspectives in mind.

A second problem that the Administration has had has been the idea of using Federal credit capacity, which is credit that is used generally across the whole country for people in all of the States, people in all of the cities, to solve the problems of one city.

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A third reason that we have had problems in this respect is the precedent effect: that if we do something for New York City, we know very well that there could be arguments made -- no matter how strong arguments might be made the other way that New York is unique--that there are other cities that also ought to be aided, and we would end up not just with the billions we are talking about here, but many more for other places.

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Q Mr. Lynn, was the President satisfied that if the City of New York should default, for example, by not being able to get the needed cash flow, that it would not have a devastating effect on the banking industry right now?

MR. LYNN: I don't think I ought to comment with respect to the meeting with the President. I can say to you that based on the information that I have seen both as to the nature of New York's problems itself, as well as some knowledge of the banking community, I do not believe that it would have a serious effect on the other cities or States.

Q Did the President make any specific suggestions on what the city could do for itself, such as in the area of subway fares and university charges, tolls and so on?

MR. LYNN: I don't believe that it would be appropriate at this meeting to get into the details of the give and take. I can say to you -- and I believe the Governor and the Mayor would agree with me -- that the meeting hit on a number of specific points with respect to specific things, but also general directions.

I should repeat once more what the President said was in connection with his making his mind up in making a decision in this matter, that he would like to have as much evidence as possible as to both the realism and the dedication to solving these problems on the expenditure side, as well as on the revenue side.

Q Mr. Beame, what evidence are you going to present to the President within the next 24 hours if that is part of this agreement to demonstrate longer term austerity measures?

MAYOR BEAME: I presented all of the facts that I think the President should have known and some of it, of course, he was acquainted with, some of it he may not have been acquainted with, and there was some information they sought from us.

We submitted that to the President's man -- I think it was Dick Dunham, who has that information -- so that so far as I am concerned, he has all the information.

I do want to make one point, and I am sure that Jim Lynn didn't necessarily try to put it in that context alone rather firmly.

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One important point I want to make with respect to this question of precedent is that there is, to my knowledge, no other city in this country which has been faced with a cash boycott, and therefore, from that point of view, I don't believe this is a precedent, but that was something among other things which was discussed.

GOVERNOR CAREY: I want to make one comment. I don't want to say anything to attribute to the President what he said because that is custom that we do not, but I do want to make it specific because Mr. Lynn brought up the point, or at least said in response to a question that there was no finding that I heard on the question of what a default would mean across the country in terms of its impact upon municipal bond markets.

This matter was discussed. I think it is unfortunate we are talking in these terms because we are here to avert that. My finding is that that would be unthinkable in the credit markets of this situation as an elected official, and we are here to express the clear-cut warning that the very notion that the City of New York would go into default when it has credit, when its credit is sound, is something that should not be discussed because it must not happen.

Let me say further that it is ~~not~~ a question of supplying information. The laws of the City of New York and of the State of New York require that the city have a balanced budget and the State have a balanced budget, and we will be standing behind that budget.

That is the best guarantee we can give the people.

MR. NESSEN: Thank you, gentlemen.

END (AT 4:22 P.M. EDT)