

FOR IMMEDIATE RELEASE

SEPTEMBER 24, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE  
PRESS CONFERENCE  
OF  
MOON LANDRIEU  
MAYOR OF THE CITY OF NEW ORLEANS  
RALPH PERK  
MAYOR OF THE CITY OF CLEVELAND  
CARLOS ROMERO BARCELO  
MAYOR OF THE CITY OF SAN JUAN, PUERTO RICO  
ABRAHAM BEAME  
MAYOR OF THE CITY OF NEW YORK  
AND  
L. WILLIAM SEIDMAN  
ASSISTANT TO THE PRESIDENT  
FOR ECONOMIC AFFAIRS

THE BRIEFING ROOM

5:15 P.M. EDT

MR. NESSEN: The meeting just broke up about five minutes ago, so you can gauge how long it ran. And to talk to you and answer your questions as to what was discussed, we have the following Mayors:

I think you know Mayor Moon Landrieu of New Orleans, who is President of the U.S. Conference of Mayors. We have Mayor Ralph Perk right here of Cleveland, who is the President of the Republican Mayors Association. We have Mayor Carlos Romero Barcelo of San Juan, Puerto Rico, the President of the National League of Cities; and we have Mayor Beame of New York City. And from the White House we have Bill Seidman, who can help you if you have any questions as to what the President's position was at the meeting.

MAYOR LANDRIEU: Thank you, Mr. Nessen.

Let me take the occasion to open the conference and then you may direct your questions to any of the Mayors who are here.

The Executive Committee of the U.S. Conference of Mayors together with Mayor Beame met with the President and his Domestic Council, and Secretary Lynn of OMB. We presented what we felt were the consequences of a default by New York City and set forth what we felt were several possible solutions, one of which was for the Federal Government to guarantee a short-term loan so that New York City which has very real economic viabilities could carry itself for the next six months at which time its own revenues would make it self-sustaining, or a reconstruction finance corporation which would make a direct loan.

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We never got wedded to those two proposals but they are two suggestions we did make. The Mayors unanimously felt that a default by New York City would have a serious and dramatic effect on cities all across this country, as well as have a very serious effect on the financial credibility of this country. We fear that most foreign nations would find it strange indeed that the financial capital of the United States would itself face financial collapse.

We feel that it makes far greater sense for the Federal Government to intervene at this point rather than after a default and possible bankruptcy by New York City. We are convinced that New York City cannot solve its immediate problem with its own resources. It can indeed solve its long-range problem by getting its fiscal affairs in order.

But by November 30 New York City must raise substantial amounts of money in a market which is now non-existent. Because the problem is of such a magnitude, it makes it doubly difficult for New York to go into that market and borrow \$3 million to \$3.5 million. We are not dealing with a small town. We are dealing with a city that has a budget equal to four or five or six Southern States and a population base that represents that many States.

I wish that I could tell you that we were met with enthusiastic support. We were not. The President reaffirmed his philosophical concern about the intervention of the Federal Government into a local matter of this nature.

He also expressed a feeling that there was not significant support in Congress for such a move and that perhaps there was something more that the State of New York could do in this situation than it has done in the past.

Our concern is dealing with what is facing New York City and the impact that that default will have on the rest of the cities throughout the country, and the eight million people living in New York City.

Q You were in effect turned down; is that it?

MAYOR LANDRIEU: No, sir. We didn't ask for an answer. We asked for an audience. The President was kind enough to give us on a very short notice a hearing before himself and his advisors. We presented two proposals. He asked us to submit any other ideas that we had. He said that he was certainly willing to consider them but by no means should that be construed at this point in time as a change in his position.

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MAYOR PERK: No one wants New York to go down the drain and I was pleased to hear Mayor Beame in the President's Cabinet Room say that he is not inflexible in approaching a solution to the problems of New York.

While recognizing and sympathizing with the problems of New York and with due respect to Mayor Beame, I must, from the broader perspective of the national economy, regrettably dissent from the proposals he submitted today. However, I have an open mind on other alternatives.

In recognizing that the New York situation may affect marketability and the interest rates of local Government notes and bonds and that a governmental program, whether at the State or Federal level, may be necessary, I have in the past few months been working with my staff and have been considering the practicality of a self-sustaining municipal bond insurance corporation as a possible alternative.

But whatever the program is that is finally adopted by the Federal Government, or by a State Government, it is essential that any legislation which may be necessary applies equally to all municipalities and does not -- I repeat -- does not in any manner encourage or even allow deficit spending for operating purposes.

This is the position I took in the President's Cabinet Room and I will be available to answer any questions.

I think Mayor Beame and Mayor Carlos Romero would like to say a few words.

MAYOR ROMERO: We will leave Mayor Beame for last. You will have more questions for Mayor Beame.

I took a position today, as President of the National League of Cities, that whatever happens to New York will have an effect on the bond market, particularly the municipal bond market, will affect other cities. But not only will it affect other cities from the financial point of view, it will affect other cities in other ways.

I come from San Juan. I am Mayor of San Juan. We have one million Puerto Ricans in New York City. If New York's inability to meet its financial obligations creates financial problems in New York, and nobody can say what kind of financial problems it will create -- we all know what happens when a business in private enterprise is unable to meet its financial obligations, it goes bankrupt, it goes into receivership, it stops business.

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A city cannot stop its services to the public but they will definitely be curtailed. How far will they be curtailed? How will that affect the city? How will that affect the economy in the city? How will it affect the businesses that depend on the purchases of the city who, in turn, buy from other businesses? How will it affect the unemployment situation, the welfare payments. This will undoubtedly have an affect on the people that live in New York and, if they cannot find a job, they cannot make a living in New York. They will start looking back at the places they came from and they will go back to their towns or cities or the rural areas they came from and are those towns and cities and rural areas able to cope with the problem?

I can say what the situation is in Puerto Rico. We have 25 percent unemployment right now. Last week those were the official words of the Secretary of Labor in Puerto Rico. If we were to receive 50,000 out of the one million Puerto Ricans coming back to Puerto Rico, 10,000 heads of families, that would certainly make our problem a lot worse.

So the New York problem is not a New York problem, it is a problem of the Nation. And it has more impact not only in the Nation but outside of the Nation because if New York, which is the financial capital of the Nation, is allowed to go under, what will other nations think? Can we conceive of the French allowing Paris to go under? Can we conceive of England allowing London to go under without trying to do something? Can we conceive of a South American country allowing its capital to go under without trying to do something? They will not understand, and they don't understand the Federal system of Government.

So what we have submitted to the President is the policy that the National League of Cities has worked out by the effective Government Task Force, which still has not been submitted to the Board but we are now submitting it to the Board by a written vote. That policy states as follows: We don't want and we don't relish nor are we asking for any Federal intervention in the affairs of the city, so we don't want to have an insurance system set up for municipal bonds or guarantees for municipal bonds set up permanently because that will mean Federal intervention into our cities' affairs.

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But we feel in emergencies, such as the one New York is apparently under, something must be done. The policy which we have adopted and we are recommending to the Board spells this out as follows. It makes clear we do not want any type of intervention nor do we want any standing insurance or guarantees, but in the case of emergencies, if it is proven that all city and State Government's legal, constitutional and fiscal remedies have been exhausted, if that is established, then we feel that the Federal Government must come up with some kind of remedy whether it be in the form of a guarantee, whether it be in some form of aid, we don't know.

We are not trying to lock it in. That should be worked out by the Congress and the President. But some aid to prevent New York from going under, to prevent New York from defaulting its obligations should be forthcoming.

That is the position I took and which we are hoping will be supported by the Board of Directors of the National League of Cities.

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MAYOR BEAME: First, I would like to take this opportunity to express my thanks to the U.S. Conference of Mayors for the unanimity of the Executive Committee in pointing up the importance of not having a default in New York City because of the effect it would have upon every one of the Mayors in their cities, who are present, and undoubtedly throughout the whole country. There is no question in anybody's mind among us that it is going to affect other cities, and that is why they have shown this great concern.

I expressed to the President the fact that when Governor Carey and I were here in May, I believe it was, and discussed this matter with him, he then indicated to us that he thinks that the State and the city ought to go back and do whatever they can before they come to the Federal Government.

I told the President I thought the State has done whatever it can and pointed up the fact that Standard and Poors made the observation that if the State went further than it did in this last action it took wherein it worked out a program involving \$750 million from the State, \$2 billion program carrying us through November 30, they said if they went beyond that it would hurt the fiscal integrity of the State.

And then I went on to say what the city has done since then. It has cut our budget a billion dollars, which included \$400 million in reduced appropriations because of layoffs. We have instituted a wage freeze on employees; we have even gone so far as to increase the fare so as to avoid any further subsidy by the city -- an increase of 43 percent, from 35 to 50 cents.

We have committed ourselves to a ceiling on expenditures in the next three years of two percent growth and no new taxes. We have instituted almost a total freeze on any new construction. We have taken what I believe are the most serious steps ever taken in our city and in most parts of our country.

But notwithstanding that, come November 30, or December 1, we will find it very difficult to go into the market and get the necessary cash. It is too short a time. And, therefore, the only other source we have to turn to is the Federal Government, which has given help to companies, helped corporations, helped foreign companies, foreign countries, by guaranteeing their debts. And what we sought is any way it can be done, do it.

One of the suggestions we said, we offered, was to use the same law that guaranteed the Lockheed debt and made clear that that law or any law can have its restrictions that would not open this matter to every city to come running in because it would have to be shown, among other things, that there was absolutely no market for that city's securities.

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And knowing full well the Federal Government's objection to guaranteeing a tax exemption on the theory that it might be a better security than even the Federal Government security, it was suggested that those guarantees would apply only if the city issued a taxable bond or a taxable security.

Now I think if New York had a six-month lead, at least--maybe we would need it for longer--but if we had a six-month lead of this kind of a backup, so we can get into the market again, we would be able to, in my judgment, get along and get the necessary credit.

I must say, yes, the President indicated that we ought to submit what we have, what our thoughts are, but I was not encouraged and I am disappointed about it. I think that New York City is an important part of America, much more important than Lockheed or Penn Central. And we are dealing with people, not corporations. And unless the Federal Government gives the people the same kind of treatment that they have given corporations, America won't be looked upon as being the kind of a place which takes care of its people.

Thank you.

MR. SEIDMAN: I would like to perhaps summarize what the President said for a couple of words in response to statements you have just heard.

First, I think the President took the position that the fundamental change caused by putting the Federal Government in the place where it might directly or indirectly be responsible for the deficit financing of cities was the kind of a fundamental change in our Federal system that should not be taken, and that it would make a basic change in the way our Government has run over all these years.

And looking at it from a point of the President of all the people, the effect of taking over in whatever manner--by guarantees or loans or whatever manner--the problems of the individual community handling its individual affairs was unwise.

With respect to the program and the accomplishments of New York, he was pleased that they had made the progress that Mayor Beame indicated, but he also indicated that there still was no plan in being which New York would put itself into a sound financial position. They have worked on it but so far it has consisted primarily of shifting or financing through State credit rather than city credit, and that this was an important fact to note.

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One of the interesting comments was that when Mayor Coleman was speaking about Detroit, when speaking about the problem he had in this area, he said he had been forced to cut his employment back by 20 percent. That kind of a plan, or whatever plan New York is going to come up with finally, it is not yet in being; the work has been on the debt side rather than the operating side.

The President also said that he felt the response of the Congress would not be favorable. He said he would be pleased to have any ideas that the Mayors had and that he would ask his staff to review them, but he wanted to make it very clear that did not indicate he was going to pick and choose among them or that he might in fact change his position in any way.

Finally, he asked us to continue to be in contact with the city, to continue to work with them and to keep informed and continue to monitor the situation.

MAYOR BEAME: May I take a moment just to make an observation? So there will be no misunderstanding, the City of New York has taken very definite steps. We have reduced our appropriations for personnel by \$400 million, among other things I mentioned. That will be in the neighborhood of a drop off of close to 30,000 people, 22,000 of whom have already been separated.

New York has taken very strong steps. On October 15 we are required under the New York law to present a financial plan so that by 1977-1978 we will have a budget which is balanced on a cash basis instead of now on a combination of cash and accrual basis, and we will show there what further economies are going to have to be made in addition to the billion dollars, which includes the \$400 million I just said.

So there will be no misunderstanding, you can't say New York has just shifted things. The best proof are the 3,000 people who came here last week -- the best proof that we have done it -- to protest and to try to get legislation passed here in connection with the uniformed forces. That is just one part of it. We have cut 3,000 policemen off our list, 1,000 firemen, 1,500 sanitation men, and so on down the line.

We have done what we could. We are going to do more but the important thing is that by December 1 we have to be able to get the cash in order to meet, not alone, our debt, but to be able to pay salaries, or for services and other areas, because that is going to be the day when the \$2 billion program will have ended.

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MAYOR LANDRIEU: Let me say in conclusion, unless there are any questions, that I think all of us agree that Mayor Beame has taken extraordinary steps to put New York's fiscal house in order. It is not quite fair to compare New York City to any other city in this country. It is by far the largest city. It is incomparable to any other city in terms of its size, or in terms of the services that it performs for this Nation.

I think every Mayor in this country is grateful to New York City for the service it has performed throughout the history of this Nation. Whenever you try to cut back an institution as large as New York City and try to do it immediately, there is an extraordinary cost attached to those layoffs. And those costs require substantial outlays of cash.

Every city employee has certain terminal leave and termination benefits that have to be paid if you abruptly terminated every one of those employees, or at least a very substantial number of them. That gets to be counter-productive.

I think what was stressed was not that New York City had not made great efforts. I think the President, my interpretation of what he said was that indeed New York City had made efforts and perhaps would have to make more, but he felt that the State could respond further and that the State itself, instead of infusing new money, did in fact exchange debts, or rearrange the debts.

Now, there isn't a Mayor in this country that doesn't appreciate the special nature of New York City. It has been the entry point for millions and millions and millions of Americans, and it has been the place of refuge for millions and millions of Americans who felt deprived.

That city does not have the capacity to determine who lives within its boundaries or who lives outside its borders, or who utilizes its services. It is the victim in many instances of both State and Federal policies, as are other cities.

But in the case of New York, it happens to be the primary city of this country and because of the role it has played, it is paying now a very high price to this Nation, and I personally think the Nation ought to respond.

Thank you, gentlemen.

THE PRESS: Thank you.

END (AT 5:40 P.M. EDT)