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THE WHITE HOUSE

INTERVIEW WITH THE PRESIDENT
BY

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ALAN SMITH, WTTG-TV
GILBERT AMUNDSON, WTCN-TV
KENNETH JONES, KTTV-TV
AND
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CENTURY PLAZA HOTEL

7:44 A.M. PST

QUESTION: America's largest city, New York, the big apple, is on the verge of bankruptcy. Other cities also fight for survival. Traffic chokes the arteries, spewing fumes into the once clear skies, streets and sidewalks are turned into garbage dumps, crime is rampant, frustrated by spiraling costs. Public servants go on strike and march in picket lines. A desperate plea for help goes out to the President and Congress. Searching for answers is Metromedia News Reporters from across the country have gathered in Los Angeles for an exclusive interview with President Gerald Ford about the crisis in the cities and other issues.

Metromedia Vice President Herb Klein is the moderator.

MR. KLEIN: Good morning, ladies and gentlemen.

Mr. President, it is a pleasure to welcome you to this unique Metromedia news team presentation of an interview based on the problems of the cities and many other current issues facing the country at this time. It is a pleasure. Welcome, Mr. President.

THE PRESIDENT: Thank you very much, Herb. I am delighted to have an opportunity of seeing some old friends and making some new acquaintances, and I look forward to a very active discussion of some of the problems that I know are on the minds of these gentlemen as well as others.

MR. KLEIN: Thank you. Our first question will be from a man you know from New York, Mr. Gabe Pressman, from WNEW Channel 5, New York City.

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QUESTION: Mr. President, the New York Daily News today carried the following headline bannered on its front page, "Ford to the City: Drop Dead." Is that what you were saying yesterday?

THE PRESIDENT: Gabe, not at all. I was saying to the City of New York that the best way is for we in the Federal Government to put pressure on the responsible officials in the State and in the City to do some things that had to be done that have been neglected, have not been done over a period of time and indicate to the City that if responsible officials at the State and local level don't act, then there was a way in which the Federal Government, after default, could come in and participate in providing what we call essential services.

But the people in New York have been the victims of mismanagement by public officials and the only way to get that situation straightened out is to put the pressure on those people to do what they should have done over the years.

I have great sympathy for the people of New York, 8 million people who have been misled, who have not been given the leadership they need.

QUESTION: Mr. President, you made two speeches yesterday, one in Washington in which you said our leaders in New York have to take the responsibility for past follies, what you have just said. You also made one here in Los Angeles to a Republican fund raising dinner in which you expressed great sympathy for the middle Americans, the middle class Americans, and the pensioners and the people who are really footing the bill and taking the punishments in this country. Isn't it a fact that default in New York City is going to affect tens of thousands of these people, both civil servants who will be laid off and people who work for private vendors that aren't going to be paid by the City of New York, so is there an inconsistency between your attitude on default and your sympathy expressed for the little guy?

THE PRESIDENT: Not at all, Gabe. The principal investors in the securities, the long-term bonds and the short-term notes, are the banks in New York City and throughout the country. They have made an investment in the free market. They took a gamble on a tax free investment, they expected to get a return. If the City officials of New York don't do something properly to correct the situation, these investors, yes, will have to defer the receipt of their interest and the repayments on principal. But they made an investment in a free market. They should have known that the circumstances weren't as good as they might have been told they were.

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On the other hand, we have said to the firemen, to the policemen, to the the nurse in the emergency ward, we will help and work with the court if default comes, and there is no need for it to come in the first place, but if it does, we will help that group of people to provide those essential services to the 8 million people in the City of New York. I don't think there is any inconsistency at all.

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QUESTION: Granted what you just said, and I will just make a very short question, Mr. President.

There are thousands of people, it is a fact, who are not big banks, who have New York City bonds, including widows and orphans and little people who thought this was a good way to spend much of their life savings in buying these bonds.

What about them? Should they be punished for the sins of our politicians?

THE PRESIDENT: It is a relatively small proportion of the total amount owed by the City of New York. I think the city owes in the magnitude of about \$12 billion, short-term, long-term obligations. Those obligations can and will be paid.

There may be a temporary deferral in order to give the city an opportunity to straighten out its situation so that current bills can be paid. But, if the city is properly led, those small investors will get their money, but there may be some delay.

MR. KLEIN: Mr. Alan Smith, with the good Channel 5, Washington.

QUESTION: Mr. President, we have seen for some time now the long stalemate over an energy policy, an energy program. Now we have New York City, and we supposedly have a time element there of November 30.

Now, you asked Congress to pass bankruptcy legislation. If Congress refuses to do that, and you follow through on vetoing any legislation that they may come up with for Federal loan guarantees, what happens to New York City after November 30?

THE PRESIDENT: I think I made it extremely clear, Alan, that the eight or more proposals that have been floating around in the House and Senate were totally inadequate. There wouldn't have been any answer, or won't be any answer to the problem because they just delay, delay, they carry on, perpetuate the mismanagement we have had in New York City.

I am not sure, to be honest with you, that any legislation can pass the Congress. I think the only legislation that will pass the Congress is the proposal that I made. So, it is not a choice of what others have recommended, eight or more bills and mine. That is not the choice.

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I don't think there is a majority in the Congress to pass any one of those eight other bills. I know there are not enough to override a veto, so the real alternative -- unless the city and the State do something affirmatively to avoid the problem in the first place -- I think the only choice is my proposal.

MR. KLEIN: Mr. President, our next question will be from Larry Moore, KMBC, Kansas City.

QUESTION: Mr. President, what can you tell the taxpayer in Kansas City or elsewhere in the country who is concerned about the situation in New York because he fears if his public school district or his city wants to build a new building, in order to get bonds, the district or the city would have to pay a higher interest rate, he would have to pay higher taxes to finance the bond issue.

What can you tell him with the New York crisis?

THE PRESIDENT: Larry, there is a very good answer to that. As Alan knows, in the last week or so in the metropolitan area, the City of Washington, or the District of Columbia, two or three well-run local units of Government sold bonds at a better price than they had ever gotten in recent years.

Those communities, those local units of Government that are well-managed, people want to buy them. Investors want to invest because they are good securities. So, the message is really to local officials, "You run your city, your school board or any other local unit of Government well, and you will have plenty of investors and you will not have to pay a high interest rate."

QUESTION: If that situation would change, if there would become extreme fear even with well-managed units of Government because of the situation in New York, and New York defaults, would you consider altering in any way your position of yesterday that you would veto any measure Congress would pass to bail out New York City?

THE PRESIDENT: I think you are approaching it in the question from the wrong end. We have to assume that locally elected officials will do a good job, and 99-9/10 of them do a good job, so there is no need to worry.

I don't think we should be scared. I don't think the American people should be frightened by the very small percentage of local officials who don't measure up and handle their affairs in a proper way.

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The history of this country is that we have had good local Government and we shouldn't be terrified by the mistakes of a limited few. I think Kansas City, Minneapolis, many other cities throughout the country are well-managed, and we should make sure that they have an open market where they can sell their securities at a fair price. If they are well-managed, those markets will be available.

MR. KLEIN: Our next question will be from our Metromedia newsman from WTCN, Channel 11, Minneapolis, St. Paul, Gil Amundson.

QUESTION: Mr. President, critics of your stand on New York have said it is insensitive, punitive and in reality it will cost the Nation more to default in New York rather than to prevent it.

How do you respond to that?

THE PRESIDENT: I don't see how it possibly can cost more. The City of New York and the State of New York have ample resources. They can raise taxes, and they can cut down expenditures. They can modify spending programs.

If they do those corrective actions, which they failed to do for the last few years, there is no loss at all.

I think it is a warning to the public and every city in the whole United States -- make doggone sure you have mayors and aldermen and councilmen who are going to manage your city properly.

Fortunately, that has been the case. If it continues, there won't be any cost at all. In fact, it will be better. In the meantime, New York City has an opportunity to do something correctively, and it won't have any problems either.

MR. KLEIN: Mr. President, Ken Jones, KTTV-TV, Channel 11, Los Angeles.

QUESTION: Mr. President, who specifically is to blame for New York's problems? Is it the former administration of Mayor John Lindsay, and did it carry to the State House and Nelson Rockefeller -- now the Vice President -- or is it the current administration of Abraham Beame?

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THE PRESIDENT: I don't like to point a finger, Ken, at any one individual. I think the record is very clear that the City of New York in the last ten or 12 years has had an escalating budget. Their expenditures have risen at the rate of about 14 percent per annum; their income at the rate of about 4 to 5 percent per annum.

The net result is they have had an escalating obligation, a debt they have to carry, about \$12 billion. The record shows who was in charge of the city, and as Al Smith used to say, "Let's look at the record," and we will see what the public reaction is.

QUESTION: Is your investigating going to carry to the State House under Governor Rockefeller?

THE PRESIDENT: In this particular case, the City of New York itself, there is no history of the State being involved. In the recent months, of course, the State has gotten involved by what they call the big MAC.

But, the primary responsibility rests with the locally elected officials over a period of ten or 12 years in the City of New York.

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QUESTION: One other question. Governor Carey said yesterday that you said you did not want to make the State or the City wards of the Federal Government and he said your proposal does in fact do that. It puts the Federal keeper in and makes it a ward of the Federal Government.

THE PRESIDENT: There is a difference. Under the plan that I propose, the City of New York, for a temporary period of time, would come under the jurisdiction of the Federal courts; not a politician, a judge. It can get out of that situation as quickly as it gets its finances in order. I think it is a much more responsible place for this problem to be resolved than to make the President of the United States Mayor, on a temporary basis, for the City of New York.

A Federal judge who is under no political pressure can handle properly the readjustment of investments, the carrying on of essential services. That is something that can be done by a Federal judge in New York City, not by some elected or non-elected official in the City of Washington, D.C.

QUESTION: Following up on Ken's first question, Mr. President, you noted yesterday that in addition to the high salaries and the other burdens, there were fat pensions that were negotiated in New York. No pension improvement could be made without the approval of the Legislature and the Governor and it is a historic fact that Lindsay started the pension improvement but it was Governor Nelson Rockefeller and the Legislature that put those fat pensions through and many civic leaders agree with you, part of the cause of the financial mess we are in. You say you blame those who misled the people. Do you blame your own Vice President?

THE PRESIDENT: I was not cognizant that the State Legislature and the Governor had to approve the particular pension program. If it is, it is unique in New York City and New York State. Those are usually negotiated between the Mayor and/or his authorities and the representatives of the labor organizations. In no other State I am familiar with does the Governor and the State Legislature have to have anything to do with the details of pensions --

QUESTION: Well, I wouldn't try to educate the President of the United States, but it is a fact that all messages involving basic changes in law, including pension bills, have to be approved by the State Legislature and the Governor, and as a reporter over the last 15 years I observed both Lindsay and Rockefeller negotiating with the union leaders for these pension benefits that became staggering.

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THE PRESIDENT: Well, those pension programs by any other standards, let's be frank and honest, are far more generous than in any other community. As I noted in my remarks yesterday, those pension programs are non-contributory. If the information given me is accurate, that is the only case in any major pension programs throughout the United States for municipal employees. That is a very, very generous program. And I think it has contributed significantly and those who participated have to be responsible.

QUESTION: Including Mr. Rockefeller?

MR. KLEIN: Alan Smith?

QUESTION: Mr. President, in response to Larry Moore's question a few moments ago, you said that New York must practice budget balancing, budget austerity, by raising taxes, cutting expenses, perhaps halting capital construction projects. You said that before.

However, there are those New Yorkers, one, for example, Teachers' Union President Albert Shanker, who says that cuts imposed already by the State Control Board would eliminate another 50,000 city jobs in New York. That over a two-year period several billions of dollars would be taken out of the New York spending economy which could be used to help New York right itself.

In addition, he speaks of further cuts you suggest and he says this would be counter-productive. Mr. Shanker contends it would be a vicious circle, that it would not bring New York out of its solvency, that New York does need Federal aid. What is your response to that?

THE PRESIDENT: In the first place, let me say the Federal Government does contribute significantly right now on an annual basis to New York. New York City's budget on an annual basis is roughly \$12.2 billion a year. The Federal Government contributes approximately 25 percent of it so the Federal Government has been very generous with New York City. We have paid 25 percent of the costs of running New York City today.

Now that is pretty high. I happen to think that that generosity has been, in many cases, misapplied by the responsible public officials in the City of New York. A further bail out is not essential providing the local people do the things that are necessary.

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Now, under the theory that was set forth by one or more of the gentlemen you mentioned, under that theory, the more you spend over the long run, that is the quickest way to get out of a problem. I have never known anybody in private business or any family, or any church or any Government, that followed that theory that survived very well.

It sounds good but in practicality each and every one of us know it never works. And the only way for New York City to straighten out its problems is to tighten its belts. And if they haven't done it enough, and if they do it right, New York City can get straightened out.

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QUESTION: Mr. President, school busing is a problem affecting Kansas City and many other cities in the country. You have not exactly endorsed school busing to achieve integration in the schools, but at the same time, you haven't exactly outlined an alternative.

What hopes can you hold out for cities like Kansas City that run the risk of losing millions of dollars in Federal aid in the not too distant future if they don't use school busing?

THE PRESIDENT: Really, I have spoken out consistently and for some time on this problem. I was one of the original Members of the House or the Senate that said that court-ordered forced busing to achieve racial balance was not the way to accomplish quality education.

That has been a consistent statement, view, policy of mine for a number of years. I believe it even more fervently today than I did before. So, we have to start out with the assumption that education, quality education, is what we are all seeking to accomplish.

Now, some people say we ought to spend more money, and I think there are programs where you can spend more money at the local level to upgrade schools in disadvantaged areas. There are others who say the long-range and, even to a substantial degree, short-range, is better distribution of housing, so we achieve integration in a different way and you can still rely on the neighborhood school system.

Dr. Coleman, who testified before the Senate Committee on Judiciary just a few days ago, had some thoughts on it. It is interesting that Dr. Coleman, who was an initial proponent of busing to achieve quality education, has now -- after studying the problem in a number of cities -- come to the conclusion that it is not the answer.

I don't think there is any patent medicine that can give us the answers, but I think we ought to spend whatever money is necessary for what we call magnet schools, to upgrade teachers to provide better facilities, to give greater freedom of choice. These are the things we ought to push hard.

QUESTION: There are those who say, including Congressman Jerry Litten from Kansas City, that a separate Department of Education should be established, taking it away from HEW.

Would you be in favor of establishing a separate Department of Education to handle the complex problems of busing?

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THE PRESIDENT: I don't think that, in and of itself, is a solution. That sounds good. Maybe it ought to be justified on other grounds, but I don't think it is necessarily the answer to this problem.

QUESTION: Gentlemen, our time is limited.

QUESTION: Mr. President, my cities -- Minneapolis and St. Paul -- much of that region faces some serious economic questions because of the impending cut-off of oil and natural gas from Canada.

It means we will have to bring it in from more expensive sources. The shortage of natural gas could even lead to higher unemployment.

Has the Administration given this any attention?

THE PRESIDENT: We certainly have. Our Secretary of Interior has been working with the proper officials in the Government of Canada. I have talked to former Natural Resources Minister Mr. Macdonald. We have groups working together.

As I understand it, Canada has agreed not -- for the next 12 months -- to have any significant change in the supplies, either crude oil or natural gas.

In the meantime, Congress has to pass an energy program so we can solve those problems in the upper tier, the Northern tier, including Minnesota, Michigan, North Dakota, et cetera.

If we can get a bill through Congress to provide more domestic sources of energy, making us less dependent on foreign oil cartels, the problems of Minnesota, Michigan and others will be resolved.

MR. KLEIN: Ken Jones.

QUESTION: There was a story in the Los Angeles Times this morning that your campaign committee has, or is about to, ask the Federal Election Committee to investigate our Governor, Ronald Reagan, that he is an acting candidate, that he is a candidate now.

Do you believe he is a candidate?

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THE PRESIDENT: As I understand it, Ken, technically he is not, no more so than Governor Wallace is. There are really two steps as the law has been written, and as it has been implemented. Technically, I don't believe that Governor Reagan is a candidate, and I certainly will give him or any others in similar circumstances the benefit of the doubt.

I don't think I ought to argue the details of that. That is something for the Federal Elections Commission to decide, and I am sure they will.

MR. KLEIN: Gabe Pressman.

QUESTION: Mr. President, yesterday you noted that tens of millions of Americans have entered the golden door in search of liberty through New York. Since World War II there has been a tremendous migration within this country of Puerto Ricans and of black Americans up to New York from the South.

New York has a tremendous welfare, and while we get some help from the Federal Government, we foot an awful lot of that bill ourselves.

Do you think it is time the Federal Government did more to help us in that regard?

THE PRESIDENT: Gabe, the Federal Government pays at least 50 percent of the welfare bill in the City of New York. We are very substantial contributors. The extra benefit over and above the Federal payment is a decision made itself by the City of New York, or the State of New York.

We are in the process, quite frankly, Gabe, of reviewing the whole welfare program. There are so many pieces and parts of it, and it is so uncoordinated, we either have to judge it all and come up with a new one or we have to find ways as an alternative to tighten up to give more to the people who deserve it and less or nothing to the people who don't. This is the problem we are facing, and we hope to do something about it.

QUESTION: Do you think the taxpayers of New York should be punished for their compassion to fellow Americans?

THE PRESIDENT: We all have to live within our income, Gabe, and if they have been overly generous over and above what the Federal Government contributes, I think they have to be faulted.

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QUESTION: Mr. President, we don't have much time and this program has been devoted primarily to the city, such as its bills. However, I would be remiss if I didn't mention another November 30 deadline, the end of the UN mandate in the Golan Heights. Inasmuch as President Sadat of Egypt is in this country now, might we expect some announcement from you or from Secretary Kissinger in the not-too-distant future about any potential for movement toward an accord between Syria and Israel?

THE PRESIDENT: I have said that the United States will not tolerate stagnation or stalemate in the Middle East. I meant it. We are hoping that the parties involved in that area of the world will participate in preliminary negotiation discussion because we do have to go from the Sinai step to another step, or to an overall, and they all understand it. We are anxious that it take place but we are not in a position to tell them precisely where or when. We are going to keep the pressure on.

QUESTION: Will you have that November 30 Golan Heights statement?

THE PRESIDENT: That is a decision under UNDOF for Syria to make its decision. We hope, of course, that Syria will be responsive to an extension of it. We certainly will do our best to give assurances that there will be the right kind of movement in the diplomatic field to convince them that they ought to do it.

QUESTION: Mr. President, crime is a problem in our cities, of course, and the news media reports in St. Louis are saying the top White House people do not like the job that Clarence Kelley is doing as head of the FBI. What is your assessment of Clarence Kelley as Director of the FBI?

THE PRESIDENT: I think he is a first-class Director of the FBI. I read some of these rumor stories and I sought to hit them hard and to reassure him that he has done and is doing a first-class job. Well, I am perfectly satisfied with the way he is running the FBI and I so told him.

MR. KLEIN: Time has gone rapidly, Mr. President. There are other topics we would like to have covered. We would like on behalf of Metromedia and our news audience to thank you very much for joining us tonight.

THE PRESIDENT: Thank you very much, Herb. Thank all of you.

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(AT 8:15 A.M. PST)