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The opinions expressed are his own.

Greenspan Sees Fervent Social Security Discord: John M. Berry

Feb. 22 (Bloomberg) -- Nearly a quarter-century ago, when Social Security really was in a crisis and Alan Greenspan was a private economist, he headed a bipartisan commission that came up with a rescue plan acceptable to a Republican president and Senate and a Democratic House of Representatives that was passed almost without change.

Unfortunately, Federal Reserve Chairman Greenspan told Congress last week that such an approach would be unlikely to work in today's extremely partisan political climate as the future of Social Security is debated.

“As you know as well as I,” Greenspan said to Democratic Senator Thomas Carper of Delaware, “there was a far greater degree of comity back then. And I think that what we need is a good deal more of that.”

Indeed, civility is in critically short supply in Washington these days. For example, at times last year, Democrats simply weren't allowed to serve on the conference committees appointed to work out the differences between the House and Senate versions of important bills.

In the early 1980s, there was plenty of political partisanship. On the other hand, can you imagine a speaker of the House today doing what Speaker Thomas P. “Tip” O'Neill, a Massachusetts Democrat, did when Ronald Reagan was elected president after a campaign calling for large personal income tax cuts? O'Neill told Reagan that while he personally opposed the cuts, as speaker he would see to it that the legislation was introduced and moved through the House.

Another World

That was another world altogether. The tax legislation was amended in some important ways -- the concept of indexing the income tax brackets was a congressional idea not included in the Reagan proposal -- and there was Democratic opposition.

On the other hand, there was nothing like the scorched Earth Republican opposition that there was to President Bill Clinton's tax increases in 1993.

Part of the Greenspan commission's success undoubtedly was due to the fact that there was no dispute whatsoever that without major action, by the middle of 1983 the Social Security trust fund wouldn't have enough money in it to cover even one month's worth of benefit checks.

Nevertheless, it required a remarkable degree of cooperation for the commission to foster a compromise that was acceptable. Carper, who was sworn in a freshman congressman in January 1983, asked Greenspan how he had done it.

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How They Did It

"It was done actually in two ways," the Fed chairman explained. "The first was that one of the senior commissioners was an expert and appointee of Tip O'Neill, Bob Ball, who is still around." Ball is a former Social Security commissioner.

Ball and Greenspan sort of merged in the sense that he would represent the speaker and report back to him about what the various choices were, and I would report back to (White House Chief of Staff) Jim Baker and President Reagan. And so we kept a line going between the decision makers in the White House and in the Congress as the commission moved forward from position to position."

They worked concurrently that way, within the commission, the Congress and the White House, so that we didn't find that at the end of the day the commission came out one place and there was no support back with the speaker or the president," he recalled.

Up-or-Down Vote

"Bob Ball and I went up to the Ways and Means Committee to testify on the report," Greenspan continued. "And we indicated that it is an up-or-down vote. And I said to Ball, 'When the Republicans ask you a question, I will answer it, and I hope you will answer the questions that the Democrats ask me.' And it worked remarkably well."

The insistence on an up-or-down vote was important because the commission's recommendations were a result of compromises, he said. Otherwise, amendments would unwind the entire agreement.

Two of the commission members, both Republicans, were Senator Robert J. Dole of Kansas and Representative Barber B. Conable Jr. of New York. In a joint statement appended to the commission report they described a dire situation and underscored the commission's achievement:

Making Concessions

"When the National Commission on Social Security Reform was created on Dec. 16, 1981, few people had real confidence in what the commission could accomplish. And little wonder. For the better part of a year, Social Security had been embroiled in political controversy. The system moved closer to insolvency as proposals for financial reform were subjected to partisan political attack."

Sound familiar?

"The 15 selected as commission members, moreover, embodied widely divergent views. At least to outsiders, these members probably seemed incapable of reaching any true bipartisan consensus," Dole and Conable said.

Nevertheless, the commission accomplished what appeared impossible with a compromise that "requires concessions from all of the parties who have a stake in Social Security," they said.

Obviously a key reason for the Greenspan commission's success was its straightforward mandate to find a way to keep Social Security operating. There were no advance restrictions on how to get the job done.

In contrast, in 2001, President George W. Bush created a Social Security commission "to make recommendations to modernize and restore fiscal soundness to Social Security" using certain "guiding principles." Among them were that payroll taxes must not be increased and that "modernization must include individually controlled, voluntary personal retirement accounts, which will augment Social Security."

Naturally, the commission, with no members named by the Democratic congressional leadership, produced recommendations in line with those principles.

And naturally the partisan storm keeps raging.

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