A Tale of Three Commissions:
The Good, the Bad and the Ugly

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Eric Kingson was an advisor to the 1982 National Commission on Social Security Reform and to the 1994 Bipartisan Commission on Entitlements and Tax Reform. Drawing on the experience of 1982 (the "Good") and 1994 (the "Bad") commissions, he concludes that the fast-track debt commission as proposed by Senators Kent Conrad and Judd Gregg would result in an unprecedented and deleterious approach to Social Security policy-making. The structure and functioning of the 1994 commission provides insight into likely goals and functioning of the Conrad-Gregg Commission, a commission Kingson suggest would be akin to the 1994 entitlement commission "on steroids." Noting the disregard for traditional congressional processes and the mischaracterization of Social Security as part of a unified "entitlements" problem, Kingson concludes that Senator Max Baucus is not exaggerating when he warned on the Senate floor that "Senators Conrad and Gregg have painted a big red target on Social Security and Medicare. That's what this commission is all about."

This paper was prepared as background to the National Academy of Social Insurance's congressional briefing, "Demystifying the Deficit, Social Security Finances, & Commissions" (12/11/09). An accompanying PowerPoint presentation and the presentations of the other panelists – Nancy Altman, Ashley Carson and Jim Horney --can be found at
http://www.nasi.org/calendar_reg3634/calendar_reg_show.htm?doc_id=1098532

Nancy Altman's and Jim Horney's remarks highlight the fiscal implications of defining Social Security in narrow budgetary terms; Ashley Carson's talk gives attention to the importance of approaching Social Security reform with an appreciation for how much Americans benefit from, depend on and value Social Security. Drawing on the experience of the 1982 National Commission on Social Security Reform and the 1994 Bipartisan Commission on Entitlements and Tax Reform, my tale of three commissions warns of the dangers of disregarding what Nancy, Jim and Ashley have collectively presented.
I begin with a story from 28 years ago that illustrates the political risks that follow from mischaracterizing Social Security in narrow budgetary terms. In 1981 Ronald Reagan was President and David Stockman, who talked about Social Security as "closet socialism" and as a "coast to coast soup-line," was the President's budget director. Stockman argued successfully that the Reagan Administration should make use of Social Security's projected short- and long-term shortfalls to promote large cuts in the program. Rather than work with moderates on the House Ways and Means Committee who were preparing a financing package based primarily on benefit reductions, the administration floated a Social Security package, which called for twice as much long-term savings as needed, all from benefit reductions. Moreover, some of these benefit reductions (i.e., reducing retirement benefits at age 62 from 80 percent to 55 percent of a full) would have fallen very heavily on persons reaching retirement age as early as 1982! Having galvanized a strong and negative public reaction, Democrats were able to capitalize on the President's miscalculation, forcing a withdrawal (of the yet submitted package). Calling for a commission to study the problem and make recommendation, President Reagan sought to temper the Democrats' political advantage on the issue until after the November 1982 congressional elections (Altman, 2006, Kingson, 1984; Light, 1995). Thus, from David Stockman's political miscalculation, so came the 1982 National Commission on Social Security Reform (a.k.a, The Greenspan Commission) and much political benefit to those opposing these misguided cuts…

FAST FORWARD TO TODAY: Declaring that "Congress feels entitled to spend with a blank check" and that the nation is "swimming in a sea of red ink that will drown any chance our children have for … a decent standard of living," this past Wednesday (December 9), Judd Gregg (R-NH), ranking minority member of the Senate Budget Committee, joined Chairman Kent Conrad (D-ND) in introducing legislation to create a Task Force for Responsible Fiscal Action (a.k.a. "Debt Commission"). The proposed 18 member commission would include 16 members of Congress, eight, each, appointed by the Democratic and Republican Congressional leadership, as well as the Treasury Secretary and another administration official appointed by the President. Empowered to by-pass normal legislative channels, if 14 of its members reach agreement on the entire recommendations, each house of Congress would be required to vote yes or no on the entire package. The vote would take place after 2010 elections and before the new Congress is seated. There would be no amendments. Passage would require a supermajority (3/5ths majority) in the House and the Senate. Remarkably, Senators Conrad and Gregg and some of the other cosponsors of this bill, Democratic and Republican, are threatening to vote against raising the federal ceiling on the federal debt unless Congress enacts legislation creating their Debt Commission.

The extent to which everything – tax rates, estate taxes, tax expenditures, unfunded defense liabilities – will be "on the table" if this commission moves forward is unknown. But, based on the principal proponents joint press statements and other pronouncements, there is no doubt that Social Security and Medicare will be front and center. Social Security and Medicare" – the only programs mentioned in their press release, with Senators Conrad and Gregg emphasizing that they "are currently cash negative and headed for insolvency. We need to reform these programs."

I am restricting my remarks to the implications of the proposed Conrad-Gregg Commission as related to Social Security policymaking. I will spend my time discussing lessons the experience of two commissions – the 1982 Greenspan Commission and the 1994 Bipartisan Commission on Entitlement and Tax Reform—hold for staff and members of Congress interested in protecting America's families against losses of income due to the death, severe disability or retirement of a working person. I served as an advisor to both of these commissions, appointed to the staff of the Greenspan Commission at the request of the five members of the commission appointed by the Democratic Congressional leadership and to the 1994 commission at the request of several representatives of labor and aging organizations.

I characterize the Greenspan Commission as the "Good" commission because as I discuss it operated within the tradition broad policymaker support for the program and because it is often presented as the example of a successful commission. However, as the late Robert Ball wrote in his forthcoming memoir, there is some mythology surrounding the accomplishments of this commission. Indeed, the Greenspan Commission, did not as it is often portrayed "bravely [rise] to the occasion and [come] up with a package of tax increases and benefit cuts that saved Social Security – and, by inference, Congress." The 1982 commission helped set the stage for possible agreement. But the heart of the commission's report – a proposed set of benefit adjustments and revenue increases – was the outcome of last-minute negotiations that took place outside the context of the commission, with the fore-knowledge and then endorsement of President Reagan and Speaker of the House "Tip" O'Neill (D-Massachusetts). This package then moved through the normal channels of congressional review and amendment before being enacted and then signed by President Reagan as the 1983 Amendments to the Social Security Act.

The history of the 1982 and 1994 commissions provides insight into the likelihood of success or failure that might arise from a fast track "Debt Commissions such as Senators Conrad and Gregg propose. Both the 1982 and the 1994 commissions were created by executive order, both included congressional leadership as well as representatives of those who fund or have funded the program (employers, labor, seniors), both were ably-staffed and both ultimately reached consensus on the existence of a problem. While the similarities are interesting, it is the dissimilarities that is most instructive for the type of commission being proposed today.

DISSIMILARITIES WITH IMPLICATIONS FOR CONRAD-GREGG

A realistic focus on Social Security in 1982; a socially-constructed "unified entitlement crisis" in 1994. Clear difference existed in scope of the inquiries in 1982 and 1994. The 1982 Commission narrowed its focus quickly and exclusively to Social Security. At its first meeting, chairman Greenspan quickly dispensed with the question of whether Medicare's projected short-fall should be discussed within the context of the financing of Social Security's cash program. Members agreed that to do so would only confound the problem, making political resolution of the Social Security financing issue far more complex than it need be. Restricting the Commission's focus to Social Security and later agreeing to stay within the boundaries of the principles that informed OASDI facilitated the possibility of a negotiated solution.[i]

In contrast, the Bipartisan Commission addressed a more expanded set of issues (Social Security, federal deficits, population aging, public/private expenditures, savings and investment) and operated outside the framework of traditional assumptions about Social Security and Medicare, its leadership instead seeking to legitimate a range of ideas that previously had been thought of as the province of the far right (e.g., means-testing Medicare and Social Security, partial privatization of Social Security and Medicare, and large benefit reductions).

Respect for Social Security as an institution by commission members and staff in 1982; far less so in 1994. The 1982 commission and its staff functioned within the framework of serious knowledge and support for Social Security. Alan Greenspan's appointment of Robert J. Myers, chief actuary of Social Security from 1947 to 1970, as executive director, and Speaker O'Neill's appointment of Robert M. Ball, Social Security Commissioner from 1962 to 1973, to the commission epitomized Republican and Democratic commitment to the institution of Social Security. As well, other central actors on this 15-member commission (e.g., AFL.-CIO President Lane Kirkland, Representatives Barber Conable, Claude Pepper and Senators Robert Dole, John Heinz and Daniel Patrick Moynihan) were deeply involved in Social Security policymaking through much of their careers. Once agreement was reached on the existence and the size of the financing problem, the battle lines formed around the question of whether tax increases or benefit reductions should be the primary vehicles for reform. As the final report of the commission made clear, there was unanimous agreement that the Congress "should not alter the fundamental structure of the Social Security program or" means-testing or privatize the program (National Commission on Social Security Reform, January 1983, p. 2-2). As regards the staff, all were Social Security experts --some chosen from among Social Security employees by Robert Myers and others appointed at the request of the Republican and Democratic factions within the Commission. While bipartisan, by design the politically-appointed staff were expected to staff their Democratic or Republican sponsors, a decision consistent with the goal of eventually developing fully informed negotiations.

In contrast and similar to the orientation of many supporting the Conrad-Gregg Commission, the leadership (Senators Kerrey and John Danforth) and much of the staff of the 1994 Commission felt far less commitment to Social Security as an institution. While some members of the 32-member commission and some staff were schooled in Social Security, most were not. Staff was not broken into Democratic or Republican factions, or otherwise explicitly organized to support the differing views of the commission members. While acknowledging the importance of Social Security, more often than not, the attention of commission and staff leadership was directed at lowering the wattage running through the "third-rail of American politics." They saw little value in intrinsic value in a universal Social Security program in a time of budget deficits. The "third rail" demanded respect; but it didn't mean they had to like it. Hence it is not surprising that ultimately the chair and vice-chair of the commission advocated a partial privatization of Social Security and the means-testing of two other social insurance programs --Medicare and Unemployment Insurance.

A real short-term financing "crisis" in 1982; not so in 1994. Of even greater importance in terms of the politics of Social Security, unlike 1982, in 1994 there was no short-term financing problem to create incentives for compromise and to prepare the public to shoulder the burden of reform. Without the 1983 legislation, the OASI Trust Fund would have been depleted and monthly shortfalls would have occurred as early as July 1983. In 1994 (and today), it was (and is) clear that Social Security can meet all its obligations for the next 25 years and quite likely more. Congress generally makes policy for the short-term. Problems in the distant future--especially redistributive policy matters--create few incentives for congressional action. They can be put off for a future congress and the political cost of doing so is likely to be considerably less than what would come from addressing the issue (Light, 1995).

As is the case today, the absence of a short-term Social Security financing problem, with a real deadline for political action, presented a serious political obstacle to the 1994 Commission. Even the more immediate concerns of federal deficits and growing federal debt--likened to slow-growing cancers on the economy--lacked the proximity of Social Security "going broke" within one or two years.

Distributive analysis in 1982; Marketing in 1994. In 1982, substantial analytic attention was given to the consequences of reform options on workers and future Social Security beneficiaries, including implications across income classes. In other words, both taxpayer and beneficiary costs were fully assessed. The 1994 Commission process was virtually devoid of interest in the distributional impact of various policy options (Quadagno, 1995; Quadagno, January/February 1996) or of what the benefit reductions might mean to individuals and their families. This is best exemplified by the elaborate computer game that the commission produced. Here was an exquisitely developed piece of software that claimed to be simply a tool for informing Americans about policy options for reducing the federal deficit. Unfortunately, there are many unexamined assumptions. The game is structured so that its players cannot touch defense-spending or general taxation. But players are encouraged to consider means-test social security, and radically reducing benefits through changes in the benefit formula or large cuts in inflation protection. And such options are presented and explained in a most antiseptic--and one-sided--fashion, as if pushing a few buttons could simply make the deficit go away. Nowhere, in the game or elsewhere in the Commission documents are serious analyses presented about the distributional impacts of various changes across class, race and gender; not to mention possible political implications such as the long-term erosion of political support for the program.

Rather than explore the complexities surrounding important questions such as the declining living standards of many among the young or the increased poverty among children, they offered the pabulum of federal deficits and spending on the old as cause. Whatever the problem, they had the answer--cutting entitlement spending will lead to increased savings, economic growth and a better future for all. And so they ignored important concerns such as the reality that the growing gap between rich and poor and between the middle class and the very well-off increased even during the economic expansion of the 1980s. They failed to acknowledge evidence such as that presented by economists Sheldon Danzinger and Peter Gottschalk suggesting that “economic growth in itself' would not necessarily “benefit the average American family and solve the problems of poverty and economic hardship” for others (1995, p. 10). [ii]

Substantially different outcomes and products in 1982 and 1994… The 1982 commission reached agreement on the size of the short- and long-term financing problems, but was deadlocked with respect to agreement on policy changes. Only after the White House and the Speaker of the House anointed a package of changes worked out in quiet negotiations outside the context of the Commission, did a large majority of the Commission reach agreement on a legislative proposal. No party involved in the negotiations that led to agreement on a package that the President and Speaker could support agreed with each provision of the pact. Neither did the members of the commission. But the bipartisan compromise could be presented as fairly distributing pain across numerous constituents (e.g., the old, the well-off, workers, business, future beneficiaries) and it provided political protection to all participants. Moreover, it really did address a pressing financing problem that Congress could not sweep under the rug. And it provided political cover for the President who otherwise would have announced a much larger federal deficit a few weeks hence. Clearly, this was the Commission's most important product. But it also helped to promote public understanding of the financing problem, mainly through the media coverage of its carefully orchestrated public hearings. As for its written products, the official record contained over one hundred typewritten memoranda, primarily on technical matters. The final report consisted of forty typed (double space) pages summarizing Commission recommendations, additional statements of members and 17 technical appendices. The product of much effort and painfully negotiated agreement, it had all the visual appeal of a doctoral dissertation.

Though the 1994 Commission process closed with a whimper, it had some success in advancing a new definition of an “entitlements crisis.” Throughout the Commission process, great effort was directed at public education. Hearings were structured to maximize press coverage and to maximize the ability of the Commission's leadership to “get their message out” related media events. The dissemination of the computer game and later an impressive CD ROM (DOS, WINDOWS AND MAC Compatible!) produced by the Commission staff presented the leaderships view of entitlements as a threat to the future. Very notably, the

Commission produced effective and attractive charts, designed to deliver simple messages -- " Current trends are not sustainable;" "Falling private savings and rising government deficits mean less private savings available for investment;" "Federal spending on health is projected to triple by 2030;" "An aging population means fewer workers to support each retiree's benefits;" "Social Security tax collections exceed current benefits, but are not enough to fund future promises," etc. These charts along with the Commission's computer game, CD and final report were later widely distributed via web sites and projects of groups such as the Business Roundtable and the Concord Coalition. They are still regularly referenced and reproduced in press and academic analyses of entitlement and Social Security issues.

CONCLUSIONS

Senators Conrad and Gregg are proposing to resurrect the 1994 Bipartisan Commission on Entitlement and Tax Reform. But this time, they want to put it on steroids.

Taking a page out of the 1994 commission leadership and two of its most active members – Peter Peterson and Senator Gregg – Social Security is being defined, once again, as part of a unified entitlement problem. As in 1994, assessing the full range of options needed to deal with the nation's serious long-term structural deficits and growing debt it seems secondary to marketing and, this time they hope, achieving radical change in Social Security.

If the operation of the 1994 Bipartisan Commission or the set-up of a November 10, 2009 Senate Budget Committee hearing are any indication, the proposed commission may be "bipartisan," but it will be structured to achieve narrow, predetermined ends. At this recent hearing, all ten witnesses testified in favor of the fast track commission; requests to give testimony or distribute statements from organizations with different views were rejected. In short, there is no desire to risk having the normal Congressional processes, public comment, differing views or the facts get in their way.

Indeed, Senator Max Baucus was not exaggerating when he warned from the Senate floor on December 10 that "It is clear from their press release that Senators Conrad and Gregg have painted a big red target on Social Security and Medicare. That's what this commission is all about. It's a big roll of the dice for Social Security and Medicare."

Moreover, the Conrad-Gregg proposal carries five serious risks:

- Mischaracterizing Social Security as part of a unitary entitlement and federal budgetary problem will ultimately make it more difficult to address a relatively simple policy problem, long-run solvency of Social Security. Strong opposition can be expected from those who see this framing as a fundamental threat to the well-being of many middle aged and older persons who quite frankly are, and should be concerned, even frightened, for their and their family's economic security given job losses, and diminished housing and pension equity.

- As Senators Conrad and Gregg point out, the consequences of failure could be enormous. Having raised expectations, such failure may increase public cynicism and have deleterious impact with regard to bond markets.

- A commission such as the one being proposed is likely to fail. Kent Weaver (1989, p. 25) suggests commissions are not likely to succeed 1) without substantial agreement between the members of Congress and the President regarding the problem and the desired contours of a policy intervention; 2) if a portion of their members are unwilling to compromise; or 3) if a small group of legislators see political advantage in opposing the recommendations of a commission. Given the opposition of the Speaker and many other powerful members of the Congress, a fast track commission, if enacted, may contain the seeds of its own demise.

- A fast track commission may derail health care reform. Proposing to put Medicare "into play" for a deficit reduction commission may upset the tenuous political compromises that have placed substantial savings from Medicare as a key element of health reform.

- By threatening to vote against raising the federal debt ceiling, Senators supporting the Conrad-Gregg proposal are setting a dangerous precedent and incurring huge risks for themselves, their party and the well-being of the nation.

In sum, the Conrad-Gregg proposal threatens to implement an unprecedented and deleterious approach to Social Security policy-making. In functioning outside the boundaries of normal congressional review and by mischaracterizing Social Security, it would diminish the economic security of future generations of beneficiaries.

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[i] The members of the Greenspan Commission unanimously made the following recommendation:"The members of the National Commission believe that the Congress, in its deliberations on financing proposals, should not alter the fundamental principles of the Social Security *Program(*Additional view by Congressman Archer).* The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need,** *(**additional views on this latter point from Commissioners Archer, Fuller and Waggoner)."* (National Commission on Social Security Reform, 1982).

[ii] Similarly, the Commission's leadership and its staff ignored, as Jill Quadagno notes, "other explanations--that the deficit soared as a result of supply-side economics, that in historical and comparative terms, there is no concrete evidence that Social Security is responsible for low savings rates, that one cannot simultaneously use money saved by cuts in entitlements to reduce the deficit and increase spending in other programs" (Aging Today, January/February, p. 5). Moreover, no analytic attention was given to questions about various approaches and consequences of deficit reduction which, after all, was the main goal of the Commission. As economist Max Sawicki observes, a serious effort to reduce federal deficits should assess such questions as whether the deficit reduction "favors wealth-holders at the expense of wage-earners, the elderly, and the poor" (1994, p. 3); whether "there is economic rationale for the principle that the federal budget deficit should always or usually be zero or close to zero" (1994, p. 7); whether "rapid deficit reduction or budget balancing measures" are likely "to increase business investment, economic growth, and family incomes" (1994, p. 7). But this was never done.