

ROBERT J. DOLE  
ORAL HISTORY PROJECT

Interview with  
ALAN GREENSPAN

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Smith: Let me ask you, sort of picking up off of what we've talked about. One of the themes that's developed in the course of doing this series, and we've talked to about fifty people so far, that I'm not sure I would have predicted in advance is the nature of conservatism, economic and social, and how it's evolved during the period of Dole's public life. If you look at 1976, the Republican Party in many ways had a Midwestern base. It still had moderate liberal components. The two candidates that year had each been in Congress and each fought in World War II and each experienced the Great Depression.

Greenspan: I'm sorry, we're talking '76?

Smith: In '76, yes. [Gerald R.] Ford and Dole, I'm sorry, on the Republican ticket.

Greenspan: Oh, I wasn't [unclear].

Smith: No, no. Absolutely. Yes. And I can't tell you how many times in the course of my association with him Dole would quote from [Dwight D.] Eisenhower's farewell address, not the part about the military industrial complex, but the part where Ike talks about plundering the future of our children and grandchildren by excessive spending today. But the point being, for that generation, the idea of shared sacrifice was a norm, and to some degree, I assume, that found reflection in their approach to economics and particularly budgeting. Fast forward sort of to what we might call the post-[Ronald] Reagan conservative. It's a very different animal, isn't it?

Greenspan: Indeed it is.

Smith: And what do you think are the factors contributing to the decision by conservatives that fiscal responsibility is no longer a defining mantra of what it means to be a conservative?

Greenspan: I think if you go back, the Republican Party was truly a party of conservatives in the sense that it believed in a set of values in which you paid for what

you got. In other words, I like to say that they believed in double-entry bookkeeping, that there are costs and there are benefits, and you're supposed to essentially do the same thing in government that a household does; namely, you balance the budget.

I recall very specifically Eisenhower in a tape I saw in recent years—I think it may have been '56; I'm not sure—in which he was apologizing to the American people for a four-billion-dollar deficit, and the general view of the Republican Party and, indeed, a significant part of political class was that balanced budgets were not only prudent, but ethical. Then you had the emergence of Keynesianism beginning to arise in the sixties. It wasn't—because even Jack [John F.] Kennedy, for example, was staunchly opposed to budget deficits and, indeed, when Walter Heller, who was chairman of the Council of Economic Advisors, coming off the Keynesian base, which had built up very significantly in the post-World War II period, largely in the universities, but not in politics. The first real break occurs when Jack Kennedy was talked into a significant tax cut in order to boost the economy and the argument that the balanced budget goal was inducing significant restriction on the way the world worked.

The effect on the economy of the tax cut actually was precisely what the Council of Economic Advisors had forecast. It never happened again, I might add. It was the last forecast that worked, but it started a very significant erosion in the notion that had prevailed for a very long period of time, namely that appropriate fiscal policy should replicate household budget policy. And once the breach was there, then you began to get the two parties exploiting it--the Republicans on the tax side and the Democrats largely on the spending side. I would argue with my fellow Republicans. I'd say, "In other words, you're telling me you want a tax cut with money borrowed from the American people? It doesn't strike me as the appropriate approach to the way one ought to be a Republican."

As the years went on, so-called supply-side economics emerged, which in its original form was that you cut taxes and they pay for themselves. When that became sort of very difficult intellectually to maintain, then they moved to the argument, which was actually accurate, namely, that a significant part of a tax cut is recouped in the revenues that occurs because the economy expands. But that became the basic mantra.

Finally, as the years went on and, as I say in my book [*The Age of Turbulence: Adventures in a New World*] the Republican Congress when it came in in '94, still had a

general view, partially supply-side, partially double-entry bookkeeping. Then, the way I put it, the Republican Congress sought to preserve its majority as a permanent American vehicle and sacrificed principle for power, and I said, in the end, they achieved neither. And we are now at the stage where, as far as economic policy is concerned, it is very difficult to distinguish the Democrats from the Republicans. There is a very odd thing that's going on in the world, namely that we seem to be having violently negative politics. But if you took all of the outstanding legislation that exists on the books and put it up under a Sunshine Act and required that the Congress re-pass it, 98 percent would pass, and 98 percent of that would pass, like, ninety-five to five in the Senate. So that there is a harshness that is not rooted in fundamentals, and—

Smith: Do you think it's possibly, in some odd way, related to the fact that the basic policy differences are not that great so that you wind up either on personal issues or cultural issues, which do tend to exacerbate—

Greenspan: Yes. Indeed, if you go back, what you conclude—at least I conclude—is everyone's reading the same polls, and the notion that you could tell your constituents that they are wrong is no longer there. My view of leadership, or actually the definition of leadership in a certain form, is characterized by people who are willing to tell their followers, their constituents, that they are wrong, is extremely rare today. The vast proportion of, quote, leaders, are, themselves, followers. What they follow is the polls, which tell them what they have to believe, and that's a different world.

Smith: I have to ask you apropos of what we were talking about earlier, in that State of the Union address in 1975, President Ford famously said something that no one has ever repeated since, that the state of the union is not good.

Greenspan: I remember it distinctly because we discussed that in some detail. The one thing about Ford—and Dole has much the same characteristics—is that the truth matters, and that if you have character, you tell the truth. I was brought up as a [Barry] Goldwater Republican, and I very distinctly remember the '64 election in which he took positions which he knew would make him lose, but it was far more important for him to,

essentially, say what he thought was right. Indeed, while he did lose by a huge majority, as you know, he did set into place a new Republican Party, which essentially existed until recent years in the sense that the issue of cultural conservatism was not part of the agenda. It largely changed.

You're quite right, what distinguishes the Republicans and the Democrats, mostly, at this particular stage, are things which are creating problems for people like me. I'm a Libertarian, and I'm far more interested in the old principles that Goldwater, Reagan, and Dole have essentially been pressing for years, and part of that was a notion that we live under a Constitution which requires compromise. If you are in a democratic society in which everyone is free and encouraged to state their own individual beliefs, of necessity there will be very significant differences. If the government is going to run for the sake of all of the people, they clearly have got to compromise, not their principles, but their tactical applications of their principles. That used to be the mantra of the way government worked, and Bob Dole was a classic case of that. He would have fairly strong principles, but when it got down to actually creating government policy, he recognized that if he could get 51 percent, he thinks that would be terrific. But he also understood, which very few of them understand today, that if you demand 95 percent, you will get zero. And we have a dysfunctional government right now. As you know, the polls on Congress are awful, and my [unclear] something like 28 percent approval rating. I said to myself, "What do the 28 percent know that I don't know?"

Smith: Well, you know, it's funny you mentioned that because, again, one of the things that comes through in this whole process that I don't know we anticipated was the degree to which the trajectory of Dole's career, particularly, say, from the mid-seventies through the mid-nineties, takes in this transforming period, when, first of all, if you look at Ford and Dole, apropos of what you said, Midwestern Republicans of that generation were conservative and they were consistently conservative. They had a healthy skepticism about government, a profound suspicion of the notion that government could transform human nature, but beyond that, they were equally suspect about "I don't want government in the board room, I don't want it in the classroom, and I don't want it in the bedroom." Indeed, a host of social issues were things you didn't talk about, there was a kind of decent reticence about.

Greenspan: Exactly. The word *decency* was always a critical term.

Smith: Yes. That was someone else's business. You didn't intrude on their business, and you certainly didn't legislate to regulate their conduct, and that obviously is all gone. And so here you have Dole, whether it's the new mantra of supply-side or this new kind of cultural conservatism, who in some ways is chasing a caboose as it recedes over the horizon. I'm not sure he was ever terribly convincing in that process, trying to present himself as sort of a Reaganesque conservative. Does that make sense to you?

Greenspan: Oh, yes. No, no. Bob Dole trying to be non-Bob Dole is about as difficult a notion as I can imagine.

Smith: Also there's the old line about the American people are philosophically conservative and operationally liberal. George Will famously said in 1980, "The American people are conservative. They want to conserve the New Deal."

Greenspan: Yes.

Smith: But that to one side, what about this dichotomy between—you're absolutely right that in poll after poll, people said they want the parties to work together, they want to transcend harsh ideological differences, and yet legislators who do that don't seem to be advanced in their presidential prospects. There seems to be, at one and the same time, a desire for legislators to legislate, whatever it takes, and at the same time, almost a distrust or suspicion of them when they do, or at least that set of skills don't seem to translate into running for president.

Greenspan: I think that's right.

Smith: And Dole's a classic example. Why do you think that is?

Greenspan: Well, I hate to tread in your profession, but I think it basically goes back to Lyndon [B.] Johnson's famous alleged forecast in '64 when he signed the Civil Rights Act, when he said, "I'm going to do significant damage to the Democratic Party for the next generation," or something like that. Indeed, as you may recall, we had John Tower as the only Republican in the Senate at the time, and the switch through the year 2004 in the Senate of the original Confederate states is awesome. What it did is it took a U.S. constituency, which was probably, I would guess, 60 percent Democrat, 40 percent Republican, but the 60 percent were a combination of Southern Democrats and Northern liberals, which is a very difficult thing to do. But in that context, the caucuses within both the House and the Senate were Republican and Democrat, and each had liberals, moderates, and conservatives of different combinations, and you could not construct within the caucuses legislation until the switch occurred.

Now we've got to the point where all four caucuses are either Democrat, severely liberal, Republican, severely conservative, and you advance within the party if you cater to the base. And if you cater to the base, you have put yourself so far away from the other side that the gap of compromise has just become much too wide, and you get bills going through the Congress only because both sides are afraid to be tarred with the one who created the problem, which is not the way you want to legislate.

So I think that what has happened here is that we are in a very unfortunate shape, very unfortunate in the sense that the Democrats clamored for a long period of time that they could do better than the Republicans, and when they got into power last year, they've gone now a year and have done nothing. In other words, Democrats now are behaving like Republicans.

And there's another part of it. I don't know whether this is true, but I've always thought that prior to, I think it was the '84 election, the mantra which was meant actually partially truthfully that good economics was good politics and good government is good politics. Then you had that famous remark by Walter Mondale. I think it was the speech during the early stages of the campaign, which he said, "I'm going to raise your taxes. So will President Reagan, but he won't tell you." Now, I was a consultant to the Reagan campaign at that time, and for three weeks they think, he's ached us with candor, until they saw the polls. I think that that was a major force engendering negative advertising, which you soon found that the pollsters were telling the politicians negative advertising works.

Regrettably, that wasn't a statistical fluke. So the issue of compromise is not what gets you elected. What gets you elected is trashing the other side and being highly partisan and being terribly solicitous of your base, and I don't know how to break that.

There is one saving grace which everyone loves. Some of them agree with me; some of them think I'm crazy. Globalization has proceeded to the point where there's been so much in the way of deregulation and lowering of barriers for its international trade. Then you may remember the bipartisan deregulation in the United States in the early 1970s of the coal transportation industry, then finance, and then the oil and energy industries all went down. The consequence of that was that global pricing substituted for government edicts, and so a significant part of the numbers of decisions which government makes which affects the individual lives of the people has gone down quite measurably.

Indeed, I was speaking to my good friend Steve [Stephen] Breyer the other day, and we were talking about the fact. He was saying, "You know, our docket at the moment is zero."

And we quit talking, and I said, "You know my view of this is that the amount of legislation that is actually forthcoming has gone down very dramatically, which is the reason there's not a great deal of appeals, and that it's largely because it's being displaced and elbowed out, basically, by, instead of legislative edicts, market edicts." And you can see it. For example, in China, it's huge, and the extent to which you go from Mao to Hu [Jintao], the proportion of individual Chinese actions that are determined by the state or by the market has gone from 90 percent—I don't know what the number is, but it's a huge drop, and it's true pretty much across the world. Even with [Vladimir] Putin there, that's still a good deal less than what happened. We're fortunate in the sense because we don't have a government. Fortunately, we have global markets helping us, but the politics have gotten extremely negative, and it's difficult to know where this goes.

Smith: Well, it's interesting because Dole, in some ways, was almost swimming into that stream. If you go back to the early seventies, of course, he was known as the sheriff of the Senate, the RNC chairman who defended Nixon, and the famous "Democrat wars" line in '76. I interviewed Walter Mondale two weeks ago in Minneapolis, and I said, "Mr. Vice President, I've been wanting to ask you for thirty years, when you were

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standing at that debate, and Dole brought up ‘Democrat wars,’ did you say, ‘Thank you, Lord?’” [laughter]

He said, “Well, Bob had an off night.” But he then said something fascinating. He said, “You know, surprisingly, in our preparations, the last thing someone said is, ‘Don’t be surprised if he blames World War II on the Democrats.’” And he said, “You know, we politicians, we’re not very smart.” He says, “We get a few applause lines, and we just recycle them over and over again.” That defined him going into the eighties as, some people said, a hatchet man, but certainly a negative partisan, someone defined by partisanship.

Greenspan: You know who one of his major consultants for that debate was?

Smith: No.

Greenspan: Me.

Smith: Really?

Greenspan: When he got up there and I filled Bob all full of economic stuff, and I was all primed that he was going to really take Mondale apart. I’m no longer surprised, but politicians listen very thoughtfully to their consultants, shake their heads, and the consultant thinks, “Oh, he got it and he’s going to do it.” It became a foreign policy debate to a substantial extent. It was a very interesting experience because I was still pretty wet behind the ears when seeing that, but I think that was a defining moment for Bob Dole. Fortunately, he’s recouped over the decades, but he was coming out of a hole.

Smith: I wonder whether, for him in 1980, the chance as chairman of the Finance Committee to in some ways remake his reputation, or at the very least, you know, he talks about it as the difference between issuing press releases in the minority and actually getting something done. So a combination of factors, but you would agree that he has evolved significantly from the mid-seventies?

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Greenspan: Oh, absolutely. Yes. I don't know whether you've been aware of this, but he was, for example, a significant player in the Mexican crisis because—

Smith: This is during the [William Jefferson] Clinton—

Greenspan: 1995, yes. Yes.

Smith: How so?

Greenspan: Well, the Mexicans came to us and said, “We are broke. In other words, we cannot sell dollar-denominated short-term paper anymore.” I remember a meeting at Treasury in which Finance Minister and Central Bank governors came up, and we sat with them, and it looked as though it was a real disaster which would have very important implications to the United States. So the group of us, which at the time was Bob [Robert] Rubin, who had just become Secretary of the Treasury, Larry Summers, and me, and a number of other people in our entourage, plus the Senate and House leaderships all came together under Clinton's request to the Congress for adequate funds to basically bail them out. The irony was, one of those who were very early on pushing a very large number was Al [Alfonse] D'Amato, who is usually, of course, as pressures built up politically, Al was seen running in the wrong direction.

But what was very interesting there is that Dole and [Newt] Gingrich stood behind Clinton to use his authority, which is somewhat ambiguous, the funds in the Exchange Stabilization Fund, which was the vehicle which developed as a result of the devaluation in the 1930s where it was a big sort of book profit, and it was created to stabilize currencies. It was never used for that. And Dole supported Clinton against the political uproar, and that was a rather different Bob Dole from what people had thought, and I thought it was a rather courageous act.

Smith: Were you involved at all in the whole negotiations surrounding the government shutdown?

Greenspan: No, not really.

Smith: Because clearly there was a divide between Dole and Gingrich, and not to get overly personal, but between Dole's style and approach to getting things done and what had become the more fiery, if you will, approach of the House Republicans. Did you observe that?

Greenspan: Oh, yes. You had to be hiding under the couch not to see it happening.

Smith: How difficult was that? Again, it's part of this theme of Dole, who's trying to lead the Party, and in many ways, really wants to go in another direction.

Greenspan: Yes. How did it look to me?

Smith: Yes.

Greenspan: I don't recall, actually. I was observing it with grave interest. At least I was saying, "They're sticking up for principle here. I don't know what's going to happen," but it was more Goldwater than there was Bob Dole.

Smith: That's fascinating. I was talking to someone who was in the middle of all this, earlier this week, and she said this had gone on and on, and Dole was really sort of out of patience with his nominal allies. They wanted to extend it still further, and he finally said, "I'm not going to do that. Those people," referring to the House Republicans, "very few of those people have ever had to worry about living check to check," whether it was Social Security or veterans or other folks. And he says, 'I'm not going to put the people....'"

Greenspan: Yes, he was very severely poverty stricken during the Depression. As I remember, somewhere reading that their family actually rented out the house and they moved down into the basement to live, which just sort of gets you.

Smith: It does. I've often thought there's a streak of populism in Dole.

Greenspan: Oh, yes. Absolutely. In fact, where we tend to disagree, it's usually when that pops up.

Smith: Really? How so? Can you think of an example?

Greenspan: Well, I can't think of any particular examples, but I'm more economically conservative than he. He's willing to do things which I would be very uncomfortable doing, and one of the reasons—when I actually first became chairman of the Council of Economic Advisors, Bill Simon was Treasury Secretary—oh no, it wasn't Bill; it was [Donald] Rumsfeld who was Chief of Staff. He said, “We want you to be the spokesman for the administration on economic affairs.”

And I said, “I can't do that. I can't do that because many of the things you're doing, I can't, with a straight face, support.” I do support in general, and I do recognize, what I said before, that it's necessary to compromise to make the system work, but I can't go out and defend things conceptually if I think they're wrong or somebody is going to ask me a question in which I'm going to say, “You know, you're right. I was wrong in what I just said.” So it's in that sort of context where I would be unable to do the types of things that an elected politician must do.

Smith: How difficult was it? Dole clearly was not a supply-sider.

Greenspan: True.

Smith: He's a traditionalist, almost a moralist when it comes to balanced budgets, and I think it is a product of that upbringing and that generation.

Greenspan: The crucial issue, as you say, well, what's the economic rationale for a balanced budget? It misses the point. It's an ethical issue. It is a symbol that you don't get something for nothing.

Smith: Right.

Greenspan: Or put another way, you don't borrow to bankrupt your children.

Smith: Exactly. Exactly. Eisenhower Republicanism in a lot of ways.

Greenspan: Yes. It's essentially an ethical, moral position rather than an economic position, because if you're dealing strictly with the economics, the literal issue of balancing the budget doesn't make totally much sense, not to mention the fact that we're on a cash budget when we should be on an accrual budget, and they are two wholly different types of phenomenon. So it's whatever budget you're on, you want to balance. So it's not an economic issue, because the difference between a cash budget and an accrual budget is huge, and so if you're saying you want to balance both, you're inconsistent. But you're not if you're thinking not in economics, but in cultural or in an ethical context.

Smith: He, in '81, was a very good soldier and was certainly an integral part of the effort on the Hill to get the Reagan package through, even after, obviously, the bidding war broke out. Then, of course, the next year comes TEFRA, the effort to take some of the ornaments off the Christmas tree. Now, what were you doing at that point?

Greenspan: What particular year—

Smith: In '81 and '82, the first Reagan term.

Greenspan: Yes, my only involvement in government, I think I may have been then a member of the President's Foreign Intelligence Advisory Board. I was a member of a number of Reagan commissions and the like, but I had no position in government, per se.

Smith: What was your view in terms of what was going on, in terms of both the supply-side doctrine and then the subsequent effort by Dole and others to try to reign in the deficit?

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Greenspan: Remember I was one of the authors of the budget plan produced during the '80 campaign. You know Martin Anderson, of course.

Smith: Yes.

Greenspan: Yes. Marty and I were sort of the two key players. We had known each other for a long period of time, and this was one of my best friends going back very far. We structured a tax cut, significant tax cut, pretty much which in fact occurred, but had very large expenditure cuts to go with it.

Smith: And how specific were you in identifying those areas?

Greenspan: Well, for our internal discussions we said, "This is a very rough budget, but it is doable." But for public things, you're never allowed to go into the details except that wonderful amorphous number which is not in the budget, called waste, fraud, and abuse which has been the most useful device of the political system since Lord knows when.

Smith: Which under Reagan apparently never afflicted the Pentagon.

Greenspan: No.

Smith: The only waste, fraud, and abuse was to be found in non-defense spending.

Greenspan: Yes, but there is no item in the budget which says waste, fraud, and abuse. But in any event, what happened was David Stockman, as I recall, came in before any of the Cabinet officers were appointed and went into the Budget Bureau and actually constructed a real budget, and it was tough as nails. It was not all that far from the numbers we were saying, and I remember Reagan saying in the meeting that that was generally discussed when David kept saying, "This is very tough stuff," he may have been president-elect at that time; I'm sure; yes, he was, and Reagan said, "You know, so long as we treat everyone equally negatively, I'm fine with it." He never got into the detail. And that was a budget, to a large extent, which was presented, and it got nowhere.

Smith: With, presumably, defense being off limits.

Greenspan: Absolutely.

Smith: Yes.

Greenspan: But still, it was essentially constructed. Now, one of the problems were we then ran into a recession, which brought revenues down quite significantly, but the substance of the budget was essentially one which was in balance. There were two things that prevented it from happening. One, of course, was the recession, but probably more importantly is that you could not get even a majority of the Republicans to go along. Needless to say, when the Cabinet members were appointed, they were all screaming bloody murder, so that supply-side was not part of the original—it developed largely as a rationale to explain why we ought to keep going in this particular mode because clearly tax cuts will pay for themselves and you don't have to worry about cutting taxes. So it developed there.

It's a fairly recent economic phenomenon. There've always been those—Milton Friedman being one obvious one—who were saying economic incentives create fairly significant economic growth, and that, therefore, the net effect from cutting taxes is far less than the original bookkeeping judgment of what the numbers actually were. But as a quote philosophy, it merges basically with, I guess Art Laffer's napkin and the supply curve.

Smith: Tell me about the origins and history of the Greenspan Commission, because clearly Dole was a significant part of all of that. Someone has described the Commission and the action finally taken on Social Security as “statesmanship propelled by panic,” the panic presumably being the looming immediate crisis of Social Security.

Greenspan: Yes, yes. First of all, Reagan came in with an idea... Well, first of all it had been very clear that the [Social Security] Trust Fund was going to run out of money and, by statute, you can only pay benefits to the extent that you have basic monies in the Fund,

so that, effectively, they would be paying less than 100 cents on the dollar. That was a political potential disaster, which everyone said, “You’ve got to get it solved.” Reagan projected fairly significant budget cuts which the Congress slapped down all over the place because he was essentially trying to make it work. I think it was probably Jim [James] Baker’s idea to form the Social Security Commission, and the Commission was a very interesting one. It was truly a national commission, and it had [Daniel Patrick] Moynihan and Dole and Lane Kirkland and Claude Pepper, with a mandate on both Social Security and Medicare. Our first meeting, I thought, would be essentially the only meeting because it struck me that the easy political thing to do in this whole business was to essentially make clear that the Trust Fund is a phony and that all you have to do to solve this problem is to just move  $x$  billions of dollars of general revenues into the Fund. System solved. Nobody did anything to hurt anybody. The books are balanced, and nobody’s benefits got cut and nobody’s taxes got raised. And I was all ready to say, “If that’s the judgment of this commission because we don’t want to confront the real problem, let’s get that out on the table and deal with this thing,” because the history of commissions has not been exactly exemplary.

And of all people, Claude Pepper pops up and says, “Absolutely not. That would make this a welfare program, and it would be utterly inconsistent with the notion of social insurance. I will rail adamantly against it.” And he scared everyone half silly. The consequence was that general revenues was taken off the table, and it didn’t take us very long to also take Medicare off the table because there was no way we could confront that as, indeed, one still hasn’t. The problem there has not been confronted.

Smith: Was it easier to take it off the table because the impending threat was much less imminent in terms of a collapse or economic—

Greenspan: It was the Social Security Trust Fund, not the Medicare Trust Fund, that was the problem.

Smith: Okay. Yes, right. So was it easier to sort of put off Medicare?

Greenspan: Yes. Yes, in fact, that was almost the very first thing we did even before we got involved in what we would do. We focused basically on Social Security, which is what the issue really was. All of a sudden, we took general revenues off the table, and I would suspect that a significant part of that commission didn't realize that if, indeed, you did that, you either have to argue that there is no crisis and nothing has to be done, or you have to raise taxes or lower benefits. Moynihan came up with a phrase, which I think sort of got most people. He said, "You know, we are all privileged to have our own opinions, but there is only one set of facts." So what happened was that from that first meeting, we sent the staff off to developing what all of the facts were. When they came back and you go into the next meeting, everyone looked at the size of what the problem was, and it meant you either had to lower benefits or raise taxes—

Smith: Well, and maybe some combination of moving the retirement age or—

Greenspan: No, well, that's cutting benefits.

Smith: Oh, okay. Well, sure. Sure.

Greenspan: And the resistance to arithmetic was very evident amongst a number of the members. "How do I get here? Maybe two plus two really equals six. How do I know your numbers are right?" And several of them couldn't handle it.

Eventually, the way the commission was set up, I reported to Reagan and to Baker and [Robert M.] Bob Ball, who—I don't know if you remember him. He was still around.

Smith: He was?

Greenspan: Yes, he basically reported to Tip [Thomas P.] O'Neill, and as the commission proceeded, we brought along the political system so that when we eventually came to a conclusion, the political system had signed off, as had we, and the whole thing went through like a hot knife through butter. But at the time, the question of how to confront these particular issues, a combination of Moynihan and Dole were the critical

players. They took the lead, as I recall it, and essentially overwhelmed the rest of the commission, even though Bob Ball in his memoirs places himself as really the decision-maker, it was an illusion.

It turned out to be one of the most successful national commissions, and the reason is, you had the two senior senators, both of whom are fundamentally from the same school, historic school of how you compromise. And they did. If Dole and Moynihan didn't come together the way they did, I'm not sure that commission would have worked.

Smith: Did you sense what Dole's relationship was with Reagan?

Greenspan: No, their personalities were so different, and clearly Reagan's ideological base was actually more conservative than his public persona. To really hear what Reagan was all about, you had to go back to his campaign speech in '64 for Goldwater. It was what started him off, actually. It was really a strongly held nineteenth-century view of laissez-faire, both in the bedroom and in the marketplace. The sharp distinctions that were there were not Dole's view of the world. Dole's view of the world, as I sense it, is a lot more nuanced and smooth and there are no sharp edges; whereas Goldwater, the world is principled or it needs to be principled, and principles are sharp edges. Dole doesn't think in those terms, and, therefore, he is the ideal legislator. In other words, he reaches across the aisle, puts his arm around somebody, and talks them into somewhere in the middle, which is a little bit more to his side than the middle, but the guy never knows.

Smith: Yes. And, see, that's fascinating because we have a political process now where it seems, particularly running for president, it's much less about narrowing our differences than exploiting those differences. That's how you get noticed. That's how you get a base. That's how you raise money.

Greenspan: Absolutely.

Smith: But in some ways, it's a disqualification for leading.

Greenspan: Yes, yes. Who contributes to compromise? Who contributes money to compromise?

Smith: Well put. Two quick things and I'll let you go. The Finance Committee itself. Talk about the significance of the Finance Committee, what it does and its [unclear].

Greenspan: Well, legislatively, the Finance Committee is in charge of revenues and the raising of funds and the whole tax structure of the United States. While revenue measures originate in the House, the Senate Finance Committee is a formidable part of the process. Indeed, probably Chairman of Ways and Means in the House and maybe four or five senators on the Senate Finance Committee are the ones who really matter.

The Ways and Means Committee is too large, too diffuse, so that you don't really get much there, but there are much fewer senators, and, as a consequence, they have a larger clout, especially when you have a whole complex tax code with which to deal. Individual senators could lock onto a specific part of it and be extraordinarily powerful because nobody else is particularly interested, and everyone else will tend to follow their lead, essentially. In the domestic area, it is probably the most powerful Senate committee; certainly in the economic area it is. The other committees, the Banking Committee, Joint Economic Committee, which are the two major other economic committees, are not at the stature of Senate Finance.

Smith: And Dole is following a legendary figure in Russell Long.

Greenspan: Yes.

Smith: The spotlight was really on him.

Greenspan: Yes. No, Russell was something. They were fascinating in the sense that they were both old school, different party, different culture, but both conservative. Russell was not like his father [Huey Long]. It was really—

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Smith: In what sense?

Greenspan: Well, his father was an extreme populist. Russell was actually a very staid conservative, balanced budget—he had the characteristics of a standard, old-fashioned Republican voting in the wrong party. But my impression is that he and Dole got along well, but is that correct?

Smith: Yes, it is. Yes, very much so.

Greenspan: Because I knew both of them, but I never really had a sense of them together.

Smith: Yes, yes. Well, there's a famous story about first meeting with Dole as chairman, and they went around the table. They called, "Mr. Chairman," and Long—and he corrected it. He says, "I not only vote for him by myself. I vote for my chairman, as well." But I think they did have a very close relationship.

Greenspan: Yes. In fact, I think when the actual transition occurred, Dole was extraordinary solicitous to Long. In other words, almost saying—I don't know, I may be mistaken. You might remember this, but almost saying, "You know, I'm a temporary warmer of your seat."

Smith: Yes. I assume it's not just nostalgia, but the Senate was, in fact, a more collegial place then.

Greenspan: Oh, it's not nostalgia. It is fact. Look, I could see it in what I would call the party culture, not political party. I mean Pearl Mesta-type party culture. When I first came to this town as an official in 1974, and Joe [Joseph] Alsop would have parties in which there were half Republicans, half Democrats, there were always two or three senators from both sides and they were buddy-buddy. You remember that Jerry Ford used to shout and yell at Tip O'Neill from nine p.m. [a.m.] to five p.m. Then Tip would show up in the White House for his bourbon with his old buddy, Jerry. That is not done

anymore. You go to parties now, there's still the ritualistic ones, the Alfalfa Club and the Gridiron [Club], but I've been to several parties recently. One was at Rumsfeld's house, which was filled, all Rumsfeld-type people, conservative Republicans. Then I would go to another party in which it was all Democrats. And I never recall anything like that in the early years.

Smith: That says something. At least you got invited to both parties.

Greenspan: Well, basically because my wife [Andrea Mitchell] is basically sort of allegedly non-partisan, and I am at least—you know I'm well known as a Republican, but nonetheless, I have friends on both sides of the aisle, so we barely get there.

Smith: Do you think it's harder to have friends on both sides of the aisle today?

Greenspan: Oh, yes. Sure it is. It's because you have to make a special exception. It's not a normal thing to do. In the early seventies, we were all Americans. We were all trying to forward the United States. Remember, the Cold War was a factor. Now, there is a huge common frightening enemy out there, and one of the down sides of the end of the Cold War is it added to this issue of partisanship because we could afford to be partisan. During the height of the Cold War, we couldn't.

Smith: I remember talking to Senator [Mark] Hatfield a few months ago out in Portland, and I said, "If there's one thing you could change about the Senate culture today, of what you know of it, what would it be?"

He said something that several other people have said, a variation of this. President Ford [unclear] said, "I'd go back to the culture where people lived in Washington, brought their families with them to Washington."

Greenspan: Before the airlines.

Smith: "And socially intermingled much more."

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Greenspan: There's definitely something to that because now—and I've heard a number of people in both the House and the Senate say this, that were around for a long time—they say early on, when transportation was far more difficult, a number of senators and congressmen, especially from the West, would stay in Washington for long periods of time, and a goodly part of the country lived here and they interlaced to a very significant extent. They said, "Now they show up on Tuesday, and they leave on Thursday. We never see them, certainly not in the evening, and we never see them except in official positions." And that meant that you don't get the collegiality which developed.

Smith: Did you have a sense of the—I mentioned Reagan—of Dole's relationship with Bill Clinton?

Greenspan: I'm sorry, with who?

Smith: Dole's relationship with Bill Clinton.

Greenspan: No, I can't really say I've—I'm trying to think of any incidents of which I'm aware. With the exception of that 1995 issue, I don't recall anything of significance.

Smith: Can you think of anything else, anything we haven't covered, an anecdote or two, or anything about—

Greenspan: I don't think so. I'm just trying to remember if there's—

Smith: One of the things that's really interesting is the '88 race between Dole and [George H.W.] Bush got pretty nasty, and there was some real doubt, I think, in the White House as to what kind of legislative ally Dole was going to be. But clearly, Dole has this capacity to put things behind him, and loyalty trumps, and he's also part of a generation that reveres the presidency.

Greenspan: Oh, yes. I know.

Smith: If you're President of the United States—

Greenspan: Yes, you're a different person. It used to be, remember the old cliché that whoever gets elected president, no matter what it was he was, and when he walks into the Oval Office, a different man? That was the old thing about Harry [S.] Truman.

Smith: Right.

Greenspan: And there's no more truth in that. And look, I thought the six-hundredth time I would go into the Oval Office that I'd be blasé. It never has become that. There's still something about the issue of the presidency and the White House which is separate from the people who happen to occupy the position at the time. I may be old-fashioned on this, but that's the way the world was.

Smith: How do you think Dole ought to be remembered?

Greenspan: I hope it's not as one of the last effective people who could reach across the aisle, and did, and was, I would say, a representative of what is good about America, the sense that we are really unified as a people. Our values are locked in the Constitution and the amendments. It is extraordinary to the extent that, aside from pushing and shoving at the margins, there's been very little change in the Constitution, which is a real fundamental document which unites 300 million people. And those who don't like it go elsewhere. Essentially what happens is that children are brought up in the context of revering those values, and I don't think any but a very small proportion know how special that is. Dole is quintessential American.

Smith: Well, that's great. Thank you so much. This was fun.

[End of Interview]

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