



***THE QUOTATIONS
OF CHAIRMAN
GREENSPAN***

格林斯潘语录

[美] 拉里·卡哈纳 / 编 金马 / 译 中国青年出版社



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美联储主席艾伦·格林斯潘说话极其谨慎。他的哪怕是毫不相关的意见,都能通过金融市场引起波动。有一次,他在肯尼迪中心遇到了证券交易委员会主席亚瑟·莱维特。

“你好吗,艾伦?”莱维特问。

“我不能告诉你。”格林斯潘开玩笑说。

Federal Reserve chairman Alan Greenspan is extremely cautious with his words. Even the most innocent comment from him can send shockwaves through financial markets. While attending a Kennedy Center affair, he ran into Securities and Exchange Commission chairman Arthur Levitt.

“How are you, Alan?” asked Levitt.

“I’m not allowed to say,” Greenspan joked.

引言

格林斯潘其人及其成功之道

Who Is Alan Greenspan, and Why Has He Been So Successful?

谁能料到一位经济学家可以跟那些世界上最受欢迎的电影明星或摇滚乐偶像一样成为超级巨星？

让我们来看看艾伦·格林斯潘——这位74岁高龄、戴着眼镜、有点严肃的老人。他被称为华盛顿第二号有权势的人物，如果再扩充一下的话，他也算得上这个世界上第二号最有权势的人。但是不同于《滚石》杂志封面上的那些圆滑的、不道德的社会名流，面对他的工作和成绩，格林斯潘是严肃的，甚至是谦逊的。他一直致力于单调的经济领域的工作，由于他的诚实、严谨和友善，他受到身边人的尊敬。

到底，是什么魔力使得格林斯潘有如此巨大的影响力，经他谨慎选择的哪怕是只言片语也能左右市场走势，关乎市场兴衰？为什么世界上的政治家们，无论他们的政治观点如何，都在征询他的建议？为什么国会，这个被称为是人类历史上最有权力的政治机构，出于对他的经济洞察力的敬畏，信赖他的每一份声明。

这个说话温和的神秘男人是如何最大限度地与公众保持距离，同时又独立于政治约束和政党责任之外？谁是这个像岩石般坚定的人，谁与我们的日常生活息息相关，引领着我们的国家穿过全新的经济洪流，带领我们走向这个世界前所未有的繁荣？

那么，谁是艾伦·格林斯潘？

早年生活

艾伦·格林斯潘，1926年3月6日出生于纽约市华盛顿海兹区。他的父亲赫伯特是一位股票经纪人。艾伦还是个孩子的时候，父母就离了婚。格林斯潘在乔治华盛顿中学读书期间（亨利·基辛格当时也在该校读书），便展示出他在音乐和数学方面的才能。

中学毕业后，格林斯潘进入纽约朱莉亚音乐学院学习音乐。在那里他的萨克斯和单簧管的娴熟技巧为他在季罗姆摇摆乐队赢得一席之地。但是他对音乐生涯并不感兴

趣,于是,在19岁那年他选择了纽约大学经济学专业。1948年他以最优异成绩毕业并获得科学学士学位。之后他在纽约大学继续学业,获得硕士学位。尔后进入哥伦比亚大学开始研究生阶段的学习。在哥伦比亚大学,他与亚瑟·彭斯成了朋友(亚瑟曾做过艾森豪威尔总统的经济指导委员会主席,并于1970~1978年担任美联储主席)。在此期间,格林斯潘与他的第一任妻子——画家琼·米切尔结婚。

也就是在那段时间,格林斯潘迷上了安·兰德的著作(安·兰德是畅销书《阿特拉斯的无奈》的作者)。他与一帮人聚在兰德家里进行讨论。这些“圆桌会议”使得格林斯潘形成了他对强调资本主义“道德”,即为最大多数人谋取最大福利的经济体系的认识:个人责任以及总体上政府对经济自由放任的态度——这些正是兰德和她的追随者们的信条。

28岁时,他离婚了。因为经济原因,格林斯潘放弃了能够使他成为一名职业经济学家的博士学业。他与债券交易人威廉·唐森合伙创办了唐森—格林斯潘咨询公司。1958年唐森去世,格林斯潘接管该公司。在他的成功运作下,该公司成为经济预测咨询业中的佼佼者,其客户包括《财富》杂志中的世界500强公司。1987年格林斯潘解散该公司,全身心投入到联邦储备委员会的工作中。作为一位经验丰富的预测者,格林斯潘已经确立了完美无缺、不可动摇的名声。

政府公职

1968年,格林斯潘获得了他在政府部门的首份工作——理查德·尼克松竞选活动政策研究理事。随后,他成为总统过渡期班子的顾问。直到1974年,格林斯潘才得以继续其私人事务。此间,他被任命为总统经济顾问委员会主席。起初,格林斯潘拒绝了这项任命,因为他不喜欢尼克松。但是他的老朋友亚瑟·彭斯说服了他(亚瑟当时是美联储主席)。尼克松在8月份辞职,福特总统依然任命他为主席直到1977年任期结束,格林斯潘又一次回到唐森—格林斯潘公司,不过他发现在华盛顿的那些年——因为经济好转他获得了一些声望,这给他带来了名声。电视和其他媒体纷纷邀请他发表看法,甚至他还给苹果电脑做过电视广告。他成了一位受人尊敬的金融顾问,但这并不是他扮演的最终角色。

从1981年到1983年,格林斯潘担任两党联合组成的国家社会保险改革委员会主席,当时正关注这个项目的发展前景。这个职位被认为是政治的流沙,因为两党都试图用自己的政治观念控制该委员会。值得赞扬的是,格林斯潘通过国会推动改革,同时使白宫和立法者都感到满意,这让很多人感到吃惊。格林斯潘的政治前途一片光明。

美联储生涯

美国联邦储备委员会成立于1913年,其目的是监管经济。美联储主席实际上有两项职责。他是联邦储备委员会(由联储主席和6位指定官员组成)的领袖;同时他负责监管联邦公开市场委员会,该委员会由7名联储成员和12个区域性联邦储备银行的首脑组成(其中的5位在任意给定时间拥有投票权)。是否提高或降低利率由联邦公开市场委员会投票决定。美联储主席只有一票表决权,但他的观点被认为是最重要的。

1987年,保罗·沃克的美联储主席任期已满,而且很明显,里根总统并不想让他连任。在通货膨胀治理方法方面沃克和政府当局之间产生了连续的冲突,他试图提高利率而这样做势必造成经济发展速度下降。沃克是个英雄,但对于共和党政府当局而言并非如此,他们是“供应派”。

我们有必要回顾一下格林斯潘、沃克与他们之前的经济学家们的不同。在20世纪上半叶,英国经济学家约翰·梅纳德·凯恩斯的思想就是圣经。不同于其他学说,他认为高失业是由消费者的不充分消费引起的,这种情况可以用更多的政府消费来改善。他进一步指出政府应该刺激经济,即使这意味着政府要花它没有的钱——赤字开支。凯恩斯的理论非常流行,因为政府消费将美国和其他许多国家从1930年的经济大危机中解救出来。但是,实践经验表明,如果就业率过高就会带来通货膨胀,因为充分就业的工人将扩大消费致使商品和服务的价格上涨。

20世纪50年代,有一群经济学家(其代表人物是诺贝尔奖获得者米尔顿·弗里德曼)认为凯恩斯是错误的。他们认为经济由货币供给决定,因此他们被称为“货币主义者”。通过操控流通中的货币数量,他们可以推动或者抑制经济发展,以达到刺激或者控制经济增长的目的。这是一项根本的改变,因为至少在理论上,它意味着,我们可以同时拥有充分就业和低通货膨胀。我们可以同时拥有高的经济增长速度、高的消费者需求和稳定的物价。这些经济学家相信政府不是决定经济该如何运行的最好法官,市场本身才是。最重要的是,政府干预经济,尤其是政府购买应该控制在最小程度,赤字开支更是不允许发生的。

沃克执掌美联储时,他应用了许多这样的现有理论,利用美联储的力量,通过货币主义的实践,即主要是提高或降低利率,控制货币供给,从而达到控制通货膨胀的目的。当沃克的货币主义政策(这一政策与共和党执政层的供给/需求信念相冲突)在抑制通货膨胀成效突显时,共和党政府当局却并不支持民主党人沃克。他们嫉妒他的成功。当然也难怪他们抱怨:货币政策使经济增长速度暂时下降,有时使借钱的成本提高(因为高利率),沃克的做法还引起一系列生意失败……事实的确如此,但是在沃克和其他货币主义者看来,这些只是问题长期解决的短期成本而已。货币主义者的政策和

一个古老的观点是一致的——丢卒保车。沃克的政策控制住了通货膨胀,但是代价是高达10%的失业率和短期内经济的严重衰退。沃克的任期结束时,他和政府当局的矛盾已经无法调和,格林斯潘的名字出现在接替者的名单中,即使他是货币主义者(甚至现在许多共和党人都愿意让货币主义者任职),至少格林斯潘是共和党人。他没有在中央银行工作的经历,但是,他被认为是一名非常优秀的预测师和一个很正直的人。

工作中,格林斯潘承袭了沃克的传统,采用被美联储称之为“权力杠杆”的方法刺激经济的长期增长和物价的稳定——低通货膨胀率的另一种表述。美联储有三种工具可以使用:(1)公开市场业务:购买或出售政府公债;(2)确定商业银行的存款准备金率:他们需要持有多少现金准备;(3)确定银行间同业拆借利率:决定商业银行借款的成本,从而决定商业银行贷款给客户的利率。

正如你所看到的,美联储就是通过这三种工具控制着流通中的货币量。所谓货币,我们指的是:现金、银行存款、大额可转让存单、货币市场基金等等。所有这些工具都是用来控制货币供给的,但是我们熟悉的工具是美联储对利率的控制,包括“贴现率”,即借款给银行的利率。如果贴现率上升,向银行借款额下降,则货币供给下降。在利率方面美联储的政策变化区间非常小,经常是在0.25个百分点之内,这被称为“25个基点”,美国国库券利率是最主要的贷款利率,活期存款利率随其变化而变化。股票市场对这些工具是如何反应的呢?我们考虑美联储提高利率,“紧缩货币供给”的行动,虽然整个过程要比我在这里演示的复杂一些,但其要点都是:流通中的货币量不能满足人们借贷和购买股票的需要。现在,当我们说“货币不足”,我们实际是指流通中实际的货币量减少了,由于供需关系,持有货币的成本提高了。这就是格林斯潘实行的货币主义的基本原理。

格林斯潘是一位宏观经济学家,他能从大处着眼去了解潜在的因素。前美国众议员弗兰克·阿尔卡德曾经这样描述过格林斯潘:“他是这样一种人,他知道一辆雪佛兰汽车上一共有几千个平头螺栓,他还知道如果拔去其中3个将会对国民经济造成什么影响。”

在他13年的美联储主席生涯中,格林斯潘遇到了很多挑战。他刚到美联储工作不久,就遇到了1987年10月19日纽约股市大崩盘。他沉着应战,将大量货币缓慢注入经济,以重建失去的信心,市场复苏了。那些年,美联储被迫在很多情况下提高利率,即使当时并没有明显的证据表明通货膨胀存在。格林斯潘认为,这是阻止通货膨胀发生的先发制人的手段。他因没有明显的通胀信号就提高利率受到批评,但是最终证明他的良好的协调工作是正确的。对格林斯潘而言,经济就像一台有着上百万个齿轮的机器,这些齿轮需要上油、磨合、拧紧,这样机器才能运转良好。如果任何一个齿轮运转不良,

那么在它影响周围其他齿轮之前就要小心维护。

在上一次经济萧条期间(1990年中期到1991年3月),格林斯潘坚持他的观点,认为经济将很快复苏,因此他拒绝提高利率。人们谴责他不为经济快速恢复做任何事,但是在这方面他的主张是正确的。复苏出现了,他的预测又一次成功了。萧条期过后,美联储的工作满足两个目标:最大化就业和稳定物价水平,这是几十年来经济学家们认为不可能达到的情形。这一事实的出现使得格林斯潘成为世界上中央银行家中的大师。

在私人生活方面,我们对格林斯潘知之甚少。我们只知道他的妻子安德内尔·米切尔是国家广播公司通讯记者,他们在1997年4月结婚,当时他71岁,她50岁。共有75位客人——都是华盛顿的要员,参加了他们的婚礼。他和他的妻子是华盛顿社交圈里的常青树。朋友们都说格林斯潘非常和蔼友善。他对妻子的结婚祝词是“我想让她快乐——我会成功的。”

我们知道格林斯潘喜欢在早晨长时间地洗热水澡,据说他常在洗澡时思考经济问题。他常手写演讲稿,喜欢打网球。

格林斯潘的朋友和熟人称他是一个非常机敏、有耐心的人。芭芭拉·沃特斯(曾经与他约会过)说他:“他经常嘲笑自己。我从没有见过他严厉地拒绝过谁。我认为没人会与他为敌。”他现在的妻子曾经在《华盛顿邮报》上这样说:“艾伦最令人振奋的一点是他明人不做暗事。他做事从不背人。”

为什么格林斯潘会如此成功?

最简单的回答是货币主义比原来的供求理论的效果好,但是答案并不如此简单。货币主义如此强大的原因是格林斯潘如何将货币主义的理论应用到实践中。这与他的信仰、经历、判断、人格有关。即使他生活在华盛顿的政党政治中,格林斯潘也从来没有让政治观念影响他的经济决策。他是一名机智的游戏者,也是一位可靠的传达者。就叫它格林斯潘的货币主义路线吧,正是它带来了美国经济最长时期的持续增长:有工作的人、有住房的人、获利的公司数目远远超过了世界历史上的任何一个时期。最重要的是,通货膨胀得到了控制,物价稳定下来了,这意味着消费者、公司和投资者在做决策时无须考虑通货膨胀因素。信任出现在经济中,人们愿意承担风险,因而经济进一步增长,更加繁荣。

总之,艾伦·格林斯潘获得成功的原因是他从来不改变他的信仰,这可以总结为:

艾伦·格林斯潘的经验之谈

1. 广泛学习,搜集所有可能的信息,在做决策和金融分析前研究所有数据。即使这

样,也应当知道,当人们身处其中时,没有人可以预测未来。人类行为不会改变,人是无法预测的,如果你的预测是错误的,那么改正错误,继续前进。

2. 未雨绸缪。一旦你看到一些问题——比如通货膨胀的预兆,那么可能此时阻止通货膨胀的发生已经太晚了。小威廉姆·麦克切斯尼·马丁(20世纪50~60年代的美联储主席)在这一点上的表述最为精当:这一中介机构(指美联储)的工作是“在晚会开始前刚好将盛潘趣酒的酒杯取走。”

3. 通货膨胀或物价不稳定(或者其他形式的不确定性)对一国经济而言无疑是最坏的事情,它使得人们不愿意承担风险。要发展经济,承担风险是必要的。

4. 要获得长期发展,短期内就要承受挫折。你的决定不会总是被公众接受,也不会总是符合政治需要。

5. 负债是有害的,要尽快地归还借款。

6. 以尽可能多的方式表述你的观点,直到人们理解它,并照你说的去做。格林斯潘的演讲经常以小型经济讲座的形式开始,他曾数年在国会反复强调负债和赤字减少问题,直到国会通过了平衡预算法案。现在,他又就利用一切可利用的盈余偿还负债的问题展开演讲。

7. 明确你的决定带来的效果。明确你如果未做某项决定,将会发生什么?考虑最坏的情形以及你将如何处理它?

8. 你永远也无法完全消除风险。事实上,你也不该有这样的打算。因为这是鲁莽的行为。你应该试着去降低风险,并在决定过程中加以考虑。

9. 经济周期是一种自然现象,我们能做到的是在经济波动时不要让它走极端。你要将你的注意力集中在大的方面而不是短期的倒退和挫折。

10. 事情总是处于变化中。保持灵活,理解周围的变化,并随之做调整。但是,要保持你的核心信仰不要改变。

11. 自由竞争的市场是最有效的市场,政府干预经济的权利应该留在发生危机时使用。

12. 最后,你的名誉是你最重要的资产。

如何使用本书

该书的写作目的:解释格林斯潘是如何做事的,他做了哪些事,以及你怎样应用他的一些经济学理念来改进自己的个人生活和经营生涯。因为他不接受采访(至少是当上美联储主席之后不接受采访)。他的思想的最好表述来自于他的公众声明、演讲、在国会的问答以及非常少见的公开亮相之后的即兴评论。本书是格林斯潘思想的集中体现。他的言论经常是非常慎重而精确的。如果你用心斟酌的话,他的思想是清晰明了的。但是,他的话曾被指责为是使人迷惑的或者是有意含糊不清的。这的确是有根据的,因为格林斯潘在这方面非常敏感,免得他的话被过度分析或者误解。偶尔在向公众解释他的话语时,他指出,总而言之,考虑到方方面面的情况他看到的正面反应和负面反应一样多。然而,随后你会看到,他的话继续影响着市场。

接下来的这些语录是从格林斯潘的众多评论中摘取出来的。这些评论可以上溯到上个世纪80年代。顺便说一句,格林斯潘没有从他的演讲中获得酬劳,他在华盛顿以外地区演讲的航班费由美联储支付。

Introduction >

Who Is Alan Greenspan, and Why Has He Been So Successful?

Who would have thought that an economist could become a superstar on a par with the world's most popular movie stars or rock idols?

Meet Alan Greenspan, a 74-year-old bespectacled, somewhat owl-like looking man who has been called the second most powerful man in Washington. Which, if you do the quick math, makes him the second most powerful person in the world. But unlike a slick, outrageous celebrity gracing the cover of *Rolling Stone*, Greenspan is demure, even modest about his work and achievements. Respected by those close to him for his honesty, thoughtfulness, and kindness, he toils in the unglamorous field of economics.

So what is it about this man that has made him so potent that a few carefully chosen words from him can sink markets—or raise them? Why do statesmen around the world, regardless of their political conviction, seek his counsel? Why does Congress, arguably the mightiest political institution in human history, hang on his every statement in awe of his financial acumen?

How has this soft-spoken mystery man remained largely inaccessible to the public at large but at the same time free of political strings and partisan obligations? Who is this rock-steady man who touches our daily lives, guiding this country through uncharted economic waters, leading us to the greatest prosperity the world has ever seen?

Just who is Alan Greenspan?

The Early Years

Alan Greenspan was born on March 6, 1926, in the Washington Heights section of New York City. His father, Herbert, was a stockbroker who divorced his wife, Rose, when Alan was a boy. He attended George Washington High School (along with Henry Kissinger) and showed a flair for music and mathematics.

After high school, Greenspan studied music at the Julliard School, where his facility with the saxophone and clarinet earned him a spot in a swing band. Not interested in pursuing a music career, he enrolled in New York University at 19 as an economics major. He graduated summa cum laude in 1948 with a Bachelor of Science degree. He went on to receive his master's degree from NYU, then went to Columbia for post-graduate study. While at Columbia, he became friends with Arthur Burns, who was later to become chairman of the Council of Economic Advisors under President Eisenhower and, later still, chairman of the Federal Reserve from 1970 through 1978. While at Columbia, Greenspan married his first wife, painter Joan Mitchell.

It was around this time that Greenspan became enamored with the works of Ayn Rand, author of the popular book *Atlas Shrugged*. He would meet with others at Rand's home for discussion circles. These roundtables led Greenspan to develop his thoughts about economic systems that highlighted the "morality" of capitalism—because it did the most good for the most people—individual responsibility, and a laissez-faire attitude of government toward business in general. These were tenets of Rand and her followers.

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Now 28 years old, his marriage annulled, and short on money, Greenspan dropped out of the PhD program to become a professional economist. Along with bond trader William Townsend, he established Townsend—Greenspan & Co. (Greenspan took the consultancy over when Townsend died in 1958) and built it into a premier economic forecasting consultancy whose clients included *Fortune* 500 companies. Until 1987, when Greenspan dissolved the business to focus on his career at the Federal Reserve, he had built an impeccable, unshakable reputation as a skilled forecaster.

In Government Service

Greenspan got his first taste of government work when he became director of policy research for Richard Nixon's campaign in 1968. Later, he worked as an advisor to the president's transition team. He went back to private practice until 1974, when he was asked to head the president's Council of Economic Advisors. At first he refused the offer—Greenspan didn't like Nixon—but was persuaded by his old friend Arthur Burns, who was then Fed chairman. When Nixon resigned in August, President Ford extended the offer and he took the job, which ended in 1977. Once again, he returned to Townsend—Greenspan but now found that his years in Washington—he had received some credit for the economy's improvement—had given him celebrity status. He was being asked his views on television and other media and even did a TV ad. for Apple Computer. He played a venerable financial advisor; it was not a stretch.

From 1981 to 1983, Greenspan chaired the bipartisan National Commission on Social Security Reform at a time when concerns about the program's future were beginning to be raised. The position was considered political quicksand as each side dug in its heels based on ideology. To his credit, and to the surprise of many, Greenspan pushed reforms through Congress while keeping the White House and lawmakers happy at the same time. Greenspan's political star was rising and shining brightly.

At the Fed

The Federal Reserve was established in 1913 to oversee the economy. The chairman actually has two jobs. He is the head of the board of governors, made up of himself and six other appointed officials. The chairman also oversees the Federal Open Market Committee (FOMC), composed of the seven Fed governors and the heads of the 12 regional Federal Reserve banks (five of whom vote at any given time). The FOMC is the body that votes to raise or lower interest rates. The chairman does not have the final decision. He has only one vote, but his views are considered most important.

In 1987, Paul Volcker's chairmanship as Federal Reserve chairman was ending, and it became clear that President Reagan was not going to reappoint him. Volcker was in continual conflict with the administration over his method of taming inflation, which was to raise interest rates even though that slowed down the economy. Volcker was a hero, but not to administration Republicans, who were "supply-siders."

It is useful to consider how Greenspan and Volcker were so different from the economists who came before them. During the first half of the twentieth century, the ideas of the British economist John Maynard Keynes were gospel. Among other theories, he held that high unemployment was a result of insufficient consumer spending and that it could be relieved by more government spending. He added that the government should stimulate the economy even if it meant spending money it

didn't have—deficit spending. Keynes's theories gained great popularity because government spending pulled the United States and many other countries out of the Great Depression of the 1930s. One practical downside, however, was that if employment was at too high a level, you could bring on inflation because fully employed workers spend lots of money and drive the prices of goods and services higher.

In the 1950s, a group of economists championed by Nobel laureate Milton Friedman believed that Keynes was off-base. They were known as "monetarists" because they believed that money supply drove the economy. By manipulating the amount of money in circulation, they could push and pull the economy to stimulate or contract economic growth. This was a radical departure because it meant that, in theory at least, we could have full employment and low inflation. We could have economic growth, high consumer demand, and stable prices all at the same time. These economists also believed that government was not the best judge of how the economy should operate; the marketplace itself was. Most important, government intervention, especially spending, should be at a minimum, and deficit spending was an absolute no-no.

Much of this remained theory until Volcker took office and, by using the Fed's power to control the money supply, got inflation under control through monetary practices, mainly the raising or lowering of interest rates. The Republican administration didn't cotton to Democrat Volcker when his monetarist policies, which were in conflict with its supply/demand beliefs, whipped inflation. They were jealous of his success. In fairness, they complained that monetary policy temporarily slows down growth, sometimes making borrowing money expensive (because of high interest rates) and that Volcker's practices caused a lot of business failures along the way. True, but to Volcker and other monetarists this was the short-term cost of a long-term solution. Monetarist policy is akin to the old saw about breaking eggs to make an omelet. In Volcker's case, his policy stopped inflation, but the price was a hefty 10 percent unemployment rate and massive recession in the short term. When Volcker's tenure was up, he and the Administration had just about had it with each other, and Greenspan's name was on the short list as a replacement. Even though he was a monetarist, which even now many Republicans were willing to admit worked, at least Greenspan was a Republican. He has no experience as a central banker, but he was hailed as a superb forecaster and a person of high integrity.

Once in office, Greenspan continued Volcker's legacy, applying what's called the Fed's "levers of power" to the economy to stimulate long-term growth and price stability—another phrase for low inflation. The three levers that the Fed has at its disposal are (1) open market operations: the buying and selling of Treasury bonds, (2) setting the reserve requirements of banks: how much they need to hold in cash reserves, and (3) setting interest rates charged to banks: this determines how much it costs banks to borrow money so they can lend it to their customers.

As you can see, the Fed, through these three levers, controls how much money is in circulation. By money, we mean hard cash, money in bank accounts, CDs, money market funds, and so on. All of these tools work to control the money supply, but the most well known tool is the Fed's control of interest rates, including the "discount rate" at which it lends money to banks. If the discount rate goes up, lending by banks goes down, and the growth of the money supply slows down. The Fed makes policy changes in interest rates at infrequent intervals, usually in increments of 0.25 percent, also called "25 basis points". Treasury bill rates, the prime lending rate, and savings account rates all tend to move together

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with this change. How does the stock market react to these levers? Let's say the Fed "tightens the money supply" by increasing the interest rate. Although the whole process is a bit more complicated than I'm showing here, the upshot is that there is less money available for people to borrow and buy stocks. Now, when we say "less money" we really mean that, yes, the actual amount of money in circulation is lessened and, because of supply and demand, what's left is more expensive to get hold of. These, then, are the basics of monetarism as practiced by Greenspan.

Greenspan is a macroeconomist, meaning that he looks at the big picture yet understands the underlying factors. Former U.S. Representative Frank Ikard (D-Texas) once said of Greenspan: "He is the kind of persons who knows how many thousands of flat-headed bolts were used in a Chevrolet and what it would do to the national economy if you took out three of them."

During his 13 years as Fed chairman, Greenspan has faced many challenges. While in office only a few months, he was confronted with a severe stock market crash on October 19, 1987. He reacted coolly and calmly, pumping money into the economy slowly to help rebuild lost confidence. It worked and the market recovered. Over the years, the Fed was compelled to raise interest rates on many occasions even though there was no overt evidence of inflation. To Greenspan, these were "preemptive" strikes designed to head off inflation. He has been criticized for raising rates without visible inflationary signals, but in the end his fine tuning has proven correct. To Greenspan, the economy is like a machine with a million little gears that must be oiled, cajoled, and tweaked for optimum performance. If any single gear is acting odd, it must be taken care of before it affects those around it.

During the last recession, from mid-1990 to March 1991, Greenspan stuck to his belief that a recovery was near and refused to raise interest rates. He was chastised for not doing anything to rejuvenate the economy quickly, but he was correct in his assertion on this account as well. The recovery did appear and again his forecast was on the money. Since that recession, the Fed has met the twin goals of maximum employment and stable prices, a condition that economists for decades believed was impossible. This fact alone has earned Greenspan his place as the world's master central banker.

On the private side, we know little about Greenspan's life except that he and his wife, NBC correspondent Andrea Mitchell (they married in April 1997; he was 71, she was 50, and the 75 guests were a who's who of Washington), are fixtures in Washington's social circles. Friends say that Greenspan is kind and gentle. His marriage toast to his wife was "I intend to make her happy—and I will succeed."

We know that Greenspan is prone to take long hot baths in the morning, where it is said he does much of his thinking about the economy. He writes his speeches in longhand and is an avid tennis player.

His friends and acquaintances say he is a person with a dry wit and patience. Barbara Walters, whom he dated at one time, said of him: "He laughs at himself. I've never heard him sharply cut anyone off. I don't think he has such a thing as a personal enemy." His current wife once told the *Washington Post*: "One thing that's so refreshing about Alan is that he is up front with people. He doesn't do things behind people's backs."

Why Has Greenspan Been So Successful?

The simple answer is that monetarism works better than the old theory of supply and demand, but that's not all of it. What makes monetarism so powerful is how Greenspan applies its

theory into practice. This speaks as much to his beliefs as his experience, judgment, and personality. Also, even though he dwells in the Washington world of partisan politics, Greenspan has never let political ideology sway his economic decisions. He is savvy player and a consistent communicator. Call it the Greenspan Way of Monetarism, it has given the United States the longest-lasting growth ever. More people are working, more people own homes, and more companies are profitable than ever in the history of the world. Most important, inflation is under control and stable, which means that consumers, companies, and investors don't have to factor it in when making decisions. This leads to confidence in the economy and a willingness to take risks that lead to further growth and prosperity.

In summary, Alan Greenspan has been successful because he never wavered in his beliefs, which can be summarized as:

The Lessons of Alan Greenspan

1. Learn everything you can, collect all the data, crunch all the numbers before making a prediction or a financial forecast. Even then, accept and understand that nobody can predict the future when people are involved. Human behavior hasn't changed; people are unpredictable. If you're wrong, correct your mistake and move on.

2. Worry early. Once you see the beginning signs of problems like inflation, it may be too late to prevent it. This was put best by William McChesney Martin Jr., chairman of the Fed in the 1950s and 1960s, who described the agency this way: Its job is to "take away the punch bowl just as the party gets going."

3. Inflation or price instability (or uncertainty in any form) is absolutely the worst thing for an economy. It makes people unwilling to take risks, which are necessary for growth.

4. Take the short-term hit if it will bring long-term gain. Your decisions will not always be popular or politically expedient.

5. Debt is bad. Pay it down as fast as you can.

6. Continue to present your ideas in as many different ways as possible until people understand and act upon what you've been saying. (Greenspan's speeches often begin with mini-lectures about the economy. He hammered away at Congress for years about the issue of debt and deficit reduction until it passed a balanced budget. Now he lectures it on paying down the debt with any surplus that becomes available.)

7. Know the effects of making your decision; understand too, what will happen if you don't make that decision. Consider the worst-case scenario and how you will deal with it.

8. You can never eliminate risk. In fact, you don't want to because it would lead to recklessness. Instead, try to mitigate risk and factor it into your decision-making process.

9. The business cycle is a fact of nature. The best we can do is try to keep the ups and downs from becoming too extreme. Always keep your eyes focused on the big picture despite short-term setbacks or detours.

10. Conditions are always in flux. Be flexible; understand and adjust to the changes around you but remain true to your core convictions.

11. Free, competitive markets, are the most efficient markets. Government intervention should be reserved for crises.

12. In the end, your reputation is your most important asset.

How to Use This Book

The purpose of this book is to explain how Greenspan has done what he's done and how you can apply some of his economic lessons to your own personal and business life. Because he doesn't give interviews (at least not since becoming Fed chairman), the best picture of what he thinks is seen through his public testimonies, speeches, question-and-answer periods in front of Congress, and the very rare off-the-cuff comment before or after a public appearance. This book is a representation of Greenspan's ideas, in his own words, which are always measured and precise. His thoughts can be crystal clear if you pay close attention. However, he has been accused of obfuscation or being purposely vague. This is a valid criticism, because Greenspan remains sensitive that his remarks can be overanalyzed and misconstrued. By occasionally leaving them open to interpretation, he figures that, on balance, he'll see as many positive reactions as negative ones. As you'll see later, his words do indeed move markets nevertheless.

The quotations that follow have been culled from hundreds of remarks made by Greenspan dating back to the early 1980s. By the way, Greenspan isn't paid for his speeches. The Fed pays for him to fly coach to speaking engagements outside Washington.
