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THE AGE OF TURBULENCE: ADVENTURES IN A NEW WORLD. BY ALAN GREENSPAN. NEW YORK: PENGUIN PRESS, 2007.

Ex-Federal Reserve Board Chairman Alan Greenspan concedes a major point to market-based scholars near the end of his autobiography (p. 478): the Fed's pre-1979 "track record in heading off inflationary pressures, as Milton Friedman often pointed out, was not a distinguished one." Greenspan's concession, like admissions from Fed member bank presidents like Francis (1969) and Willes (1980) add to the body of evidence establishing the central bank's responsibility for inflation and recession. Market-based critics of the idea of a government-sponsored central bank at the center of a banking cartel, including Austrians working in the tradition of Rothbard (1999) should welcome Greenspan conceding two-thirds of the Fed's history. The debate must now shift to the final third, a period that includes Greenspan's tenure (1987–2006).

The post-1979 Fed defense that Greenspan proffers is built on the disinflation that occurred in the period. Globalization, Greenspan writes, "had been a prominent disinflationary force since the mid-1980s," and disinflation was so powerful that by 1995 he told his FOMC colleagues: "It is very hard to find inflationary forces anywhere in the world" (p. 379). Greenspan headed the Council of Economic Advisors during the Ford administration, which coined "WIN" as an insipid anti-inflation slogan. His Fed defense paraphrased from that slogan—We've Whipped Inflation Now, And Since 1979—does not stand up to scrutiny. Average annual CPI[1] was lower in the 1950s (2.1 percent) and 1960s (2.4 percent) than in the post-1979 period (3.8 percent), including Greenspan's watch (3.1 percent).

[1]The source for the average annual CPI is the Minneapolis Federal Reserve (Consumer Price Index, 1913–).

Greenspan does not defend the Fed against Austrian economists who identify the Fed as the engine of business cycles and the five post-1979 recessions. Market critics argue Fed-generated inflation in the 1970s contributed to two recessions (1980, 1981–82). Greenspan's predecessor, Paul Volcker (1979–87), conceded the Fed's responsibility for this inflationary period in a 2000 PBS interview:

> It was the biggest inflation and the most sustained inflation that the United States had ever had. We had had brief periods of inflation, but this had built up over more than a decade rather continuously. It was getting worse, rather than getting better. And so that rather infected people's thinking. . . .[The] Federal Reserve had been attempting to deal with the inflation for some time, but I think in the 1970s, in past hindsight, anyway, [it] got behind the curve. It's always hard to raise interest rates.

Greenspan's agnosticism about credit expansion that caused asset-price bubbles in equity and housing markets contributed to two other recessions (2001; December 2007–).[1] Greenspan does not acknowledge any Fed errors in these episodes. He simply sticks to his long-held belief that asset-price bubbles cannot be identified by central banks until after they burst. Greenspan explains: "I would tell audiences that we were facing not a bubble but a froth—lots of small, local bubbles that never grew to a scale that could threaten the health of the overall economy" (p. 231). The U.S. housing market's collapse, along with the real economy reveals Greenspan was wrong-headed in this analysis.

The worst part of Greenspan's book is his advocacy of a phony gold standard to help the Fed conduct monetary policy. A phony gold standard or manipulated spot and forward prices helps the Fed trick citizens about inflationary expectations. It is not the monetary order described by Rothbard (1992): a gold standard without a government central bank. But scholars working in Rothbard's vineyard will find Greenspan's retelling of his ascendancy from novelist Ayn Rand's claque to Fed *majordomo* useful. Key were relationships Greenspan forged at J.P. Morgan and within three Republican administrations. He worked as a private economist before making a strategic decision, in his early forties, "to engage in efforts to advance free-market capitalism as an insider, rather than as a critical pamphleteer." He calls his stint on Morgan's board "the one that I found most engaging"(p. 78). His Columbia economics professor Arthur Burns, Fed chairman (1970–78)

[1]Hughes (1997) and Cwik (1998) examine the Fed's role in the fifth recession (1990–91) in the period.

recruited him to work for Richard Nixon, and many of Greenspan's anecdotes reveal the central bank as a political, not market-neutral institution. These include Greenspan's phone call to conservative talk radio host Rush Limbaugh (pp. 158–59), and Ronald Reagan's question to Volcker: "I'm curious. People are asking me why we need a Fed at all" (pp. 93–94). The sheer breadth of Greenspan's social networking in his pre-Fed years is revealed in one passage about ex-girlfriend and TV journalist Barbara Walters:

> Barbara threw me a fiftieth-birthday party at her house. The guests were the people I'd come to think of as my New York friends: Henry and Nancy Kissinger, Oscar and Annette de la Renta, Felix and Liz Rohatyn, Brooke Astor (I knew her as a kid of seventy-five), Joe and Estee Lauder, Henry and Louise Grunwald, "Punch" and Carol Sulzberger, and David Rockefeller. I'm still friends with many of these people today more than thirty years later. (pp. 80–81)

Sic transit gloria mundi. Which social acquaintance will defend Greenspan against the charge the seeds of the greatest credit crisis since the Great Depression were sown on his watch? Greenspan was adept at maneuvering social and political corridors in Manhattan and Washington. But he failed to inspire scholars, the one group that recognized his inconsistency in praising market capitalism while excluding the Fed from its discipline. He did not advance a real commodity-based standard or free banking built on such a monetary order. Greenspan's free will choice was power and pragmatism, and his legacy will suffer the consequence.

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