



# Forum for talere

April 2006

## Alan Greenspan

### | The World's Banker

Alan Greenspan, the chairman of the U.S. central bank, the Federal Reserve, who retired January 31, 2006, has been called "The Most Powerful Banker in the World". For almost 20 years the US economy, and thus the economies of the world, was to a large extent influenced by his decisions.



■ Alan Greenspan

#### Clarinet and jazz

But it started with an altogether different theme, with music from a clarinet. Alan Greenspan was born in 1926 in New York, and as a young man fresh out of school, Greenspan enrolled in the prestigious Julliard School to study the clarinet. This did not last more than a few months, however, because he then decided to drop out to become a professional jazz musician and joined Henry Jerome and his swing band as a saxophone player.

"I was a good amateur but only an average professional. I soon realized that there was a limit to how far I could rise in the music business, so I left the band and enrolled at New York University"

Alan Greenspan

#### Theory and practice

At the university he studied economics, and eventually he worked his way up to a Ph.D. After that he decided to go into business, and in 1954 he joined an economics consulting firm in New York City. A few years after that he started his own consulting firm, which he ran for almost 30 years.

#### Individualism and capitalism

In 1951 Greenspan met, through his wife at the time the artist Joni Mitchell, the writer and philosopher Ayn Rand,



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who influenced him to a large extent with her thoughts on individualism being preferable to collectivism, and capitalism being the preferred political direction to pursue.

### **Economy and politics**

In 1968 Greenspan met vice-president Richard Nixon and joined his presidential election campaign. After Nixon's victory he was offered a position in the administration but declined. However, he remained an unofficial advisor to the president. After Nixon's resignation, Greenspan continued as head of the new president, Gerald Ford's, Council of Economic advisors until Carter defeated Ford.

### **The Fed**

In 1987 Alan Greenspan was appointed Chairman of the Board of Governors for the Federal Reserve System, and this post he held under presidents Ronald Reagan, George Bush the elder, Bill Clinton and George W. Bush.

"The true measure of a career is to be able to be content, even proud, that you succeeded through your own endeavours without leaving a trail of casualties in your wake."

Alan Greenspan

During this extraordinary long period of time, Greenspan was to a large extent responsible for directing the U.S. monetary policy. He acquired a reputation for keeping inflation at historically low levels, while at the same time keeping unemployment below 5 percent – a level any European country can only dream of – making the U.S. "a land of sustained growth". His importance for the world economy at times almost took Kremlin-like proportions, where everything he did and said was evaluated and interpreted by analysts all over the world down to the last comma.

He also had his critics, of course, and some of them mean that he did not do enough to prevent the boom and bust economy of the dot-com era. Others mean that his insistence in keeping interest rates low and making borrowing ultra cheap, lead to the situation of today where everyone in America is in debt up to their ears. A situation they mean eventually will have to rectify itself with serious consequences for the world economy.



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### **Man with a mystique**

On a personal level he combined an intellectual approach, with a fascination for mathematics and statistics combined with a deft humor, and he has been described as someone “half way between a professor and Woody Allen”.

“It has been my experience that competency in mathematics enhances a person’s ability to handle the more ambiguous and qualitative relationships that dominate our day-to-day financial decision-making”

Alan Greenspan

Alan Greenspan carefully cultivated a certain mystique. He refused to give interviews, and in Washington D.C., a city filled with shameless self-promoters, this was unique. Some say this was deliberate PR from his side, promoted with the help of his wife, NBC correspondent Andrea Mitchell. One of the few facts that have leaked out, if indeed this is a fact, was that he did most of his serious thinking in the bathtub in the mornings.

He served on a number of prestigious boards such as J.P. Morgan & Co, General Foods, the Board of Trustees for the Rand Corporation, and he was a member of the Board of Overseers and the Hoover Institution to name a few. He has received honorary degrees from among others Harvard, Yale and Notre Dame. Evidence that his reputation also extended to Europe is that he was awarded Knight Commander of the British Empire and Commander of the French Legion d’honneur.

### **The Most Powerful Banker in the World**

Whatever point of view one takes about his legacy now when he has retired, there is no doubt that Alan Greenspan, the guru or maestro, as he was often called – “The Most Powerful Banker in the World”, has left his imprints not only in the U.S. but also here in Europe and indeed, in most countries of the world.

“It is decidedly not true that ‘nice guys finish last’”

Alan Greenspan