

THE AGE OF TURBULENCE

Adventures in a new world

by Alan Greenspan

2007, The Penguin Press, 507 pages

The defining moment for the world's economies was the fall of the Berlin Wall in 1989, revealing a state of economic ruin behind the iron curtain far beyond the expectations of the most knowledgeable Western economists. Central planning was exposed as an unredeemable failure; coupled with and supported by the growing disillusionment over the interventionist economies of the Western democracies, market capitalism began to quietly displace those policies in much of the world. Central planning was no longer a subject of debate. There were no eulogies....—Page 12

Back in the heyday of the first radical-libertarian ideological surge—I place it at two years plus or minus of my own personal awareness, in 1970, of the publication of Robert A. Heinlein's *The Moon is a Harsh Mistress* (©1966)—the Ayn Rand Objectivist machinery was running at full-tilt boogie. Also in 1966, a series of columns from her monthly newsletter, *The Objectivist*, was published under the title *Capitalism the Unknown Ideal*. In that book were three articles by Alan Greenspan:

- ❑ "Antitrust"—an expose of the irrationality of the antitrust laws: basically they can unleash arbitrary power on a business for a) charging higher than the competition (gouging), b) charging less than the competition (predatory pricing), or c) charging the same as the competition (collusion).
- ❑ "Assault on Integrity"—the FDA, SEC, and other federal agencies allegedly protect consumers from greedy businessmen (these agencies actually burden consumers); the market and common law protect consumers far better.
- ❑ "Gold and Economic Freedom"—fiat money systems, i.e. money systems such as our Federal Reserve not based on gold or other valuable commodities, inherently rob citizens of real wealth and yield unconscionable power to the state.

The latter article is especially pertinent, because in that piece the future Chairman of the Federal Reserve System for 18 years (August 1987-January 2006) states the following:

Under a gold standard, the amount of credit that an economy can support is determined by the economy's tangible assets, since every credit instrument is ultimately a claim on some tangible asset. But government bonds are not backed by tangible wealth, only by the government's promise to pay out of future tax revenues, and cannot easily be absorbed by the financial markets. A large volume of new government bonds can be sold to the public only at progressively higher interest rates.

Thus, government deficit spending under a gold standard is severely limited. The abandonment of the gold standard made it possible for the ... statists to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which—through a complex series of steps—the banks accept in place of tangible assets and treat as if they were an actual deposit, i.e., as the equivalent of what was formerly a deposit of gold. The holder of a government bond or of a bank deposit created by paper reserves believes that he has a valid claim on a real asset. But the fact is that there are now more claims outstanding than real assets.

The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government [for welfare or war or other purposes] with the money proceeds of the government bonds financed by bank credit expansion.

I recall reading these paragraphs and feeling as if I had finally understood how central banking (the Fed) bereft of the gold standard actually works, i.e. actually steals. Specifically, Mr. Greenspan blames the Federal Reserve system, in principle and in practice, for the Great Depression and other epochal economic disasters. He's right!

If you would have told me in 1966 that this man who penned such a devastating indictment of the government's funny-money system would one day chair the key institution of that system, I'd have accused you of smoking ropey-dopey. But that's what happened. My liberty-loving friends and I shall never forgive

him for that. How could we? How could he? It's like a human rights' advocate taking a lucrative staff position in the torture department at Guantanamo or Abu Ghraib—does it matter that he suggests kindness?

I've never heard a satisfactory explanation of this betrayal of principle... from Greenspan or from anyone else; the best he comes up with in *The Age of Turbulence* is he still holds a "fondness" for the gold standard but "for the most part the American people have tolerated the inflation bias [of the Fed] as an acceptable cost of the modern welfare state. There is no support for the gold standard today, and I see no likelihood of its return." (page 481) In other words, the Jake Spoon defense^[1]: "I fell in with a bunch of horse thieves. I really didn't think they'd start raping and pillaging; no one was there to stop them and I couldn't get away. I feel awful." Unlike Jake Spoon, Alan feels no regrets.

Regardless of how he feels, he crossed the line.

In the Randian spirit of "morally judging and being prepared to morally judge," I judge that Greenspan's enthusiastic operation of the state's most sinister loot-machinery ranks as moral-intellectual cowardice of historic proportions. It's doubly destructive because he knew better and he lent a false aura of free-market respectability to his turn of the wrenches of expropriation; the only thing free-market about Alan's tenure at the Fed are his pretensions. It's business as usual for the warfare-welfare state and its elite beneficiaries... and a happy-face sticker for the rest of us suckers.

But the book is a memoir, and Greenspan, who was born in 1926—same year as my mother, they also both played the clarinet (!)—has led a charmed life. His head for clear economic analysis (ref. "Gold and Economic Freedom" above) eventually brought him to leadership of a major New York investment firm handling highly connected Fortune 100 corporate giants, mostly in heavy industry: US Steel, Alcoa, Reliance Electric, Burlington Industries, Mellon National Bank, Mobil Oil, Tenneco, and many others. It's no surprise he came to read Ayn Rand's *Atlas Shrugged* in the late 1950s, admired its industrialist heroes, and Walter Mitty-like maybe fashioned himself as them.

Thus, Greenspan, while energetically burrowing deep in the bowels of modern state-capitalism, was simultaneously driven toward radical-individualist libertarian thought—Ayn Rand did not believe in taxes, drug laws, welfare, government-money systems. The heroic, moral way of living that motivated Randians bore no resemblance to what actually happens in the corporate boardroom. Rand and her associates never fully grasped the coercive essence of the corporate privilege; accordingly, none of them had any inkling of the Occult Technology of Power—how the power elite(s) in the name of capitalism actually eliminated true human capitalism: a decentralized, nonprivileged, voluntary-market, citizen society.

Well, that's my understanding and I'm sticking to it. To me corporate identity, privilege, and what to do about them frame a key issue of our time. I think it became easy for Alan, Ayn, and the rest of them to look the other way when conspiracies of power led to the war machine's atrocities in Vietnam and elsewhere: "How can industry be responsible for such manifest evil?! Must be a commie trick."

Even when Greenspan makes a derogatory remark about the Bushoviks and their oil motive ("I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil."—page 463), he goes to lengths in public afterward to clarify he means no disrespect to his powerful friends.

Will you get anything out of the book? Sure. Alan's a sharp cookie who has been in the halls of power. He's a low-key guy who does, after all, understand free-market economics. The leading quote shows he's an effective opponent of central planning. His understanding of energy and environmental issues is solid. He analyzes how every world market is functioning in the context of global state capitalism (GSC)—perversely he calls GSC "market capitalism." Unfortunately, he has little to say about how the world is going to look in the libertarian post-GSC world... when the people apprehend all the horse thieves and string them up.

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[1] From the Emmy-award winning miniseries *Lonesome Dove*. Jake Spoon is a former Texas Ranger friend of Woodrow Call and Gus McCrae who likes to drift, drink, and gamble. Jake rides with a particularly vicious group of horse thieves who wind up murdering several innocent men; by that time he's trapped. Woodrow and Gus eventually catch up to Jake; justice is stark.

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