

## **ALAN GREENSPAN, LE TEMPS DES TURBULENCES**

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**Alexandru-Florin PLATON**

This volume is a collection of memoirs gathering the reflections of Alan Greenspan on the evolution of contemporary economy in his capacity of president of the Federal Reserve Board (the council that administers the American Central Bank), a position he has held for 20 years (1986-2006). It is needless to say that such an employment is extremely important due to the monetary policies he had to implement (such as fixing the interest rate which was his most important task) and the influence he had on the tendencies in world economy. In the context of this economy becoming a more and more integrated (i.e. „globalised”) one during the past decades, these interventions influenced in several ways the lives of hundreds of million people all over the globe. If our pockets have been fuller the past years and we have lived a happier or sadder life, this is also due to the contribution of Alan Greenspan.

The volume was published in September 2007, both in English and French and is divided in two equal parts. The former (the first 12 chapters of approx. 345 pages) focuses on the author's education and carrier in the private field of business and as a state official. Before being appointed the head of the Central Bank by Ronald Reagan, Greenspan occasionally dealt with the American political world either as an economic counselor for the presidents Nixon and Ford or as chief of Ford's team of counselors. From the beginning to the end he was an enthusiast, yet critical fan of the Republican Party which did not prevent him from admiring and favouring the interest shown by president Clinton in macroeconomic policies (alongside with Nixon whose intelligence Greenspan treasured and whose character he despised; of all the presidents he has worked under, Greenspan seemed to cherish Clinton the most).

I have to admit that from my point of view, this is the less spectacular part of the whole memoirs I have to comment on because of the large number of events. However, the latter part which starts exactly at the middle of the book (ch. 13, p. 346-643, not to mention the appendixes) is definitely more interesting. This does

not necessarily owe to the analyses made by the author to various phenomena and tendencies on the global market he had observed during all these years or the (less optimistic) forecasts on the evolutions of the next 30-year economic cycle, but rather to the way Greenspan understood and interpreted the system of „world economy”.

As partisan of the Liberals, the former FED president is in favour of a free market. His „hero” is, of course, Adam Smith (whose name is mentioned many times in the book), but also John Locke that Greenspan admires due to the moral values illustrated in his philosophy. Of all contemporary economists, Greenspan is closest to Joseph Schumpeter – as according to him, his concept of „creative destruction” seems to highlight best the capacity of capitalism to renew itself from a technological and procedural viewpoint. However, it is strange that he does not feel so close to Milton Friedman and the Chicago School although he shares their philosophy without agreeing to it very much. I believe this is a consequence of the excessive theoretical speculations (Greenspan is an utmost practitioner of „the economy of freedom”).

For Greenspan, „market” is not only synonymous with the unbound freedom of economic „actors”. Its balance mechanisms need several conditions to work properly, three of which are essential: proper legislation of private property, independence of justice and last, but not least, a powerful „daily culture of freedom”, shown by transparent and predictable attitudes, conducts and practices. These and many others are linked by a complex network that facilitates and maintains exchanges. „Market” is just the top of the iceberg. The most important part is the hidden one.

The progress made by world economy in the last four or five decades shows that societies have grown each time deregulations breached (or diminished) the invisible boundaries between the economic systems of the world, thus allowing people and capitals a free right of way. On the contrary, the more dominance the policies of economic control regained, the greater the decrease in growth. Greenspan assesses this cyclic character to a human feature: the permanent tension between our desire to be free, enterprising, inventive and the apprehension caused by risks, competition and the inherent uncertainties of a purely competitive environment. Although, in my opinion, the framework is much more complicated than Greenspan presents it, he is mainly right. In a free economy, success is never final (an idea that the present world crisis can only confirm even though it did not occur at the time Greenspan published his memoirs). The trend can come back anytime and no one can ever be certain of success and how long it will last (hence the tendency of many economic „actors” that succeeded or wanted to succeed in business to „trick” the market rules escaping risk by means of political „favors” – a belief of mine, not of Greenspan’s). Moreover, in a market economy, there will always be winners and losers. What happens to the latter? What are they destined for? There is another

issue (irrespective of the economic aspect) that may widen freedom of initiative. It all comes down to the eternal dilemma between more freedom or more equity. When the former principle triumphed, economic systems became more permeable (but also more vulnerable). However, when discrepancies gained in visibility, protectionism was fully restored.

Greenspan suggests that this circle broke in the 1980's when during the Reagan administration, American economy and all the other economies that followed it have chosen the path of massive deregulations. Yet, things hesitantly began earlier, just after the Second World War when European forces had understood that economic isolation was to blame for the big crisis that had just ended. The author believes that the consequences of the new liberal cycle played a decisive role in accelerating the union of economies in a world system whose even stronger integration lately started to generate a series of paradoxical phenomena that have not been encountered before at a smaller scale – precisely due to its global manifestation. To give only two instances, this is the case of economic growth whose long duration of several decades defied all traditional forecasts up to 2008 and was correlated with a disinflation which was spread worldwide and so far denied all forecasts due to its unusual length.

Alan Greenspan does not clearly explain the causes of this mutation which is unique in history. Yet, I believe that it must be linked to what I would call the shift of a paradigm of thought: more precisely, this is about the shift from a historical, evolving and stage perspective (still to be traced in the 1980s), governed by a series of pretended „laws” of development (such as the ones identified by marxism) to a perspective of diversity and pluralism inspired not by a tendentious and finalist viewpoint on development, but by the concern to understand and integrate differences as perceived in their historical simultaneity.

From this angle, many and apparently very different things (such as the irredeemable failure of marxism as ideology, the fall of communist regimes, the ongrowing popularity of liberal philosophies including their theorists - Tocqueville, Weber, Aron – that were rediscovered those years) find themselves unexpectedly „linked” explaining, in the field of economy, the gradual abandonment of almost all regulations owing to the aforementioned finalist perspective on development. Therefore the quasi-religious faith in „the invisible hand” replaced planning and control which indirectly marks the end of a certain rationality nourished by the illusion that all may be rigorously anticipated and guided by minute regulations (I would like to add that the critics of an absolute free market speak of „chaos”, when describing its manifestations; the term is used as an „invisible hand” turned upside-down, but it also stands for another way of saying that forecasts can be far from reality in this field. The present crisis spectacularly confirms this interpretation).

Alan Greenspan warns us that this is precisely the reason why free market is a game difficult to win. Despite its success during the last decades (economic growth, sustainable development, wider access to the benefits of development and a better life in general, even for the populations of „developing” countries), the tendency may change anytime if countries take back the dangerous protectionist policies. Threats in this sense are countless especially from populism (which is sharply criticized by the author) that tempts some regimes (such as the one in Venezuela). Moreover, the emergence of new promising „actors” (China, India, Russia) on the world market is likely to have an influence in the future.

What is to be done to prevent a recursion? Among others, there are two things, Greenspan asserts: firstly, the drafting of some educational policies to facilitate and accelerate the reconversion of the workforce in the new fields, professions and specializations unceasingly created by free market economy. Secondly, there is a liberalization of immigration which is meant to stimulate skills and also globally balance the inequities of position and revenue between various population categories which are running the risk to go off if left in the hand of national officials.

Giving the benefit of the doubt to the philosophy of economic freedom that the American economist pleads for, the present world context, marked by the most powerful economic cataclism since 1929, complicates some of these solutions imposing the search of other ways of recovery.