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## Chairman Greenspan's Legacy

By [Benjamin M. Friedman](#)

*The Age of Turbulence: Adventures in a New World*

by Alan Greenspan

Penguin, 531 pp., \$35.00

The US financial markets are suffering their rockiest period since the nation's savings and loan industry collapsed at the end of the 1980s. The economy either is on the verge of the first business recession since 2001 or is already in it. The Federal Reserve System is taking dramatic actions that reflect urgency at best and perhaps even a whiff of panic. In these circumstances, it is worth recalling that US monetary policy—broadly defined as the management of interest rates in order to control inflation and to maintain stable growth—has had a strikingly good run during the last two decades.

The United States experienced only two recessions during that time, in 1990–1991 and in 2001 (there were four during the prior twenty years, and four during the twenty years before that), with neither lasting longer than eight months and in neither case involving a decline in total production as great as 1 percent. Unemployment averaged just 5.2 percent of the labor force (4.9 percent during the most recent ten years). Already by the mid-1980s price inflation had abated to 4 percent per year, down from near-double digits at the beginning of the decade, but since then it has been lower still and also far more stable. During the last ten years the average annual price increase, apart from food and energy, has been 1.75 percent, with no year's rise either below 1.25 percent or more than 2.25 percent.

Alan Greenspan, who became chairman of the Board of Governors of the Federal Reserve System in August 1987, bore the principal responsibility for US monetary policymaking during most of this period. His predecessor in that post, Paul Volcker, had reversed the decades-long trend toward higher and more volatile inflation—albeit at the cost of two recessions, including one in 1981–1982 that was both lengthy (a year and a half) and severe (nearly a 3 percent drop in production). But inflation was still nearly 4 percent during Volcker's last year in office; it remained for Greenspan to restore approximate price stability.

Moreover, no one then predicted the unusual economic stability that was to prevail through the end of Greenspan's service in January 2006. Neither the stock market crash in October 1987, nor the collapse of the thrift industry in the late 1980s, nor the protracted stock market decline of 2000–2003, nor the quadrupling of world oil prices following the 2003 invasion of Iraq had much visible impact either on aggregate US economic activity, apart from financial markets, or on inflation.

Greenspan's tenure as head of the Federal Reserve lasted for eighteen and a half years, second only to that of William McChesney Martin, whose time in office, from 1951 to 1970, lasted barely a few months longer. None of the nation's other leading economic policymakers has ever served for so long, whether as head of the Federal Reserve or in any other public office. Evaluating Greenspan's performance is therefore valuable for understanding a sizable period of American economic history. More important, analyzing what he did to achieve the success of monetary policy during those years provides useful lessons for the conduct of policy in the future. So too does assessing the significantly more volatile economic and financial situation America faces today, and what responsibility the Federal Reserve, and Greenspan as its chairman until two years ago, bear in bringing it about.

Greenspan's recently published memoir, *The Age of Turbulence*, also recounts his earlier life before he went to the Federal Reserve, from his childhood in New York's Washington Heights through his professional career as consultant to large industrial firms and then chairman of President Nixon's Council of Economic Advisers. Acknowledging his intellectual debt to Ayn Rand's radically laissez-faire conception of capitalism, he gives his current views on a wide variety of topics ranging from Adam Smith and the history of capitalism to the economic challenges and opportunities now confronting China, India, and Russia. But the book's main value lies in his account of his leadership of the nation's central bank between 1987 and 2006.

In contrast to the many memoirs by government officials about their experience in foreign and military affairs, there are relatively few retrospective accounts by makers of domestic economic policy. Greenspan's

book is certainly welcome in this respect. Notwithstanding his well-earned reputation for convoluted, even incomprehensible sentences while he was in office, *The Age of Turbulence* is clearly written and easy to read and understand. Throughout, there are concise explanations of how families and firms tend to respond to various economic situations, and what those responses imply for the behavior of the economy as a whole, often illustrated with concrete examples. By way of explaining the idea that "a market economy will incessantly revitalize itself from within by scrapping old and failing businesses," for example, he describes the "demise of the tin can" for beer and soda of the 1950s. The cans were in fact made of tin-plated steel and were eventually replaced by smaller aluminum cans with pop-tops, a sequence that was, he writes, part of the "harrowing long-term decline" of the American steel industry. The explanations of how key aspects of economic policy work are likewise concise and readily understandable. (Peter Petre, the "collaborator" whom Greenspan thanks in the acknowledgments at the end of the book, probably deserves a good part of the credit for this accomplishment.)

For the most part, Greenspan is also forthright in sharing his views on not only policy issues but also the personalities of many of the people with whom he worked during his time in office. His opinions frequently run counter to his well-known Republican political loyalties, which he also makes no effort to hide. For example, despite the respect and affection he consistently displays for Gerald Ford, whom he served as chief White House economist, he calls Ford's WIN campaign (Whip Inflation Now) in the midst of the severe 1973–1975 recession "unbelievable stupidity." By contrast, although he makes it clear that he and Jimmy Carter did not get along personally, and that Carter as president did not seek his advice, he writes that "many of the moves that the [Carter] administration and Congress made were the very ones I'd have pushed for, had I been there"—among them deregulation of industries, including the airlines, a measure prominently "promoted by Teddy Kennedy."

On the continuing struggle of successive administrations to achieve fiscal balance, one of his book's major themes, he is blunt: "the hard truth was that Reagan had borrowed from Clinton [i.e., by running budget deficits so large as to be unsustainable, and therefore to require corrective measures by later presidents and Congresses], and Clinton was having to pay it back." And on the war that began in 2003 and has already outlasted his time in office by two years, "I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil."

Greenspan is also scathing about both the Republican Congress and the Republican president with whom he had to work during his last years in office. "Most troubling to me," he writes, "was the readiness of both Congress and the administration to abandon fiscal discipline." He expresses no regret that his party lost its congressional majorities in the 2006 election: "The Republicans in Congress lost their way. They swapped principle for power. They ended up with neither. They deserved to lose." He likewise has few kind words for George W. Bush or his economic advisers. Referring to the Bush White House generally, he observes that "little value was placed on rigorous economic policy debate or weighing of long-term consequences." On fiscal issues in particular, he writes acerbically, "There is a remedy for legislative excess: it's called a presidential veto.... Not exercising veto power became a hallmark of the Bush presidency."

**I**n the light of Greenspan's widely publicized and perhaps politically decisive support for Mr. Bush's 2001 tax cut, this particular criticism may seem to protest too much. Greenspan discusses his support for the tax cut at some length, claiming that he proceeded on the assumption that spending restraint would follow. But in view of the frequent failure of previous attempts to cut spending, of which he was well aware—and examples of which he recounts in detail here—this disclaimer is not credible. The spectacle of the head of America's central bank joining the race to undermine the historic and hard-earned turn toward fiscal responsibility of just a few years before is a sorry episode in Greenspan's otherwise laudable public service; it is also a significant blemish on the record of the Federal Reserve System.

Greenspan reports bluntly that he and the first President Bush had "a terrible relationship." By contrast, he clearly enjoyed working with Bill Clinton, whom he found "fully engaged" and "seriously fiscally responsible." "A consistent, disciplined focus on long-term economic growth became a hallmark of [Clinton's] presidency," he writes, and Clinton's deficit-reduction program—"our best chance in forty years to get stable long-term growth"—was "an act of political courage." He regards Clinton and Richard Nixon as "by far the smartest presidents I've worked with." But after seeing Nixon up close, Greenspan found it "scary" for a man who "hated everybody" to have the power of the presidency, and he writes that he felt relieved when Nixon left office. At the conclusion of his interview with chief of staff Al Haig at Nixon's winter retreat at Key Biscayne in 1974, during which Greenspan agreed to join the White House as chairman of the Council of Economic Advisers, Haig asked if he wanted to talk with Nixon; Greenspan declined.

Greenspan's assessments are not always so clear-eyed, however. Despite his remarks about the irresponsible

turn in fiscal policy during the Reagan years, he writes as if none of that had anything to do with President Reagan himself, whom he says he admired for "the clarity of his conservatism." He similarly reports working with David Stockman, Reagan's budget director, to produce "a budget that was tough as nails." He has apparently forgotten the "magic asterisk" (representing "future savings to be identified") with which the Reagan budget famously hid a significant part of the deficit it would eventually produce.

Greenspan also cannot bring himself to criticize Arthur Burns, his economics professor and mentor at Columbia and one of his predecessors as Federal Reserve chairman. Burns led the Federal Reserve during the years when America's inflation problem became both chronic and dangerous (1970–1978). Greenspan reports, without comment, an episode from years earlier when he was a graduate student in Burns's course:

One day, in a class about inflation's corrosive effect on national wealth, he went around the room asking, "What causes inflation?" None of us could give him an answer. Professor Burns puffed on his pipe, then took it out of his mouth and declared, "Excess government spending causes inflation!"

Burns's failure to acknowledge that inflation had anything to do with overly expansionary monetary policy eerily foretold the inflation that occurred during his time at the Federal Reserve, during which he kept interest rates too low to restrain the growth of money and credit, and hence ultimately in prices. Fortunately for the country, both Volcker and Greenspan knew better.

**T**he making of monetary policy is the central subject of *The Age of Turbulence*. The book begins with a striking account of how Greenspan and his colleagues at the Federal Reserve acted to avert the potential financial and economic chaos that might have ensued following the terrorist attacks of September 11, 2001. But then the story goes back to his childhood, and proceeds from there to the end of his Federal Reserve service.

Throughout this account, Greenspan also takes some pains to articulate broader themes that he saw as central to his conduct of his office. One is the value of transparency in monetary policymaking. As he explains repeatedly, Greenspan believes in the efficiency of private markets and their ability to deliver economic well-being to a nation's citizens. But the decisions of households and firms whose individual actions collectively make up the behavior of a market economy depends on the information they have available to them. Some of what they would like to know—for example, the price of oil (or electricity, or houses, or wheat) ten years from now—is, of course, simply unknowable. But to the extent that people are in the dark about what economic policymakers are doing, that problem can be remedied.

Despite his frequently impenetrable oral statements, Greenspan made the Federal Reserve's deliberations and decisions more transparent. When he took office, the key body for deciding on monetary policy, the Federal Open Market Committee, only revealed its decisions three months after the fact; and even then the statement it released contained no explicit reference to any specific level of interest rates. By the time Greenspan left, the committee was issuing a brief statement at the conclusion of each meeting, including the numerical target adopted for the overnight interest rate, and releasing edited minutes of the meeting after only three weeks. (Under his successor, Ben Bernanke, the committee is making still further aspects of its deliberations public.) Whether this more open communication strategy has actually added to the effectiveness of monetary policy remains to be established.

The larger change in Federal Reserve policymaking, which almost surely did improve matters, was Greenspan's continual movement away from mechanistic restrictions on monetary policy, and even a willingness at times to depart from what the prevailing conventional wisdom might dictate. Greenspan inherited from Volcker the tattered remnants of a dysfunctional system that set specific targets for the quantity of money in the economy—even though by then money growth had ceased to bear much relation to either inflation or economic growth. He soon abandoned it. But his flexible approach to monetary policymaking, based on careful assessment of pertinent data, went far beyond the mere avoidance of specific rules.

As both its policy decisions and its associated public statements made clear, the Federal Reserve under Greenspan took seriously its legal mandate from Congress to pursue both "stable prices" and "maximum employment"; and the pragmatic strategies it adopted to achieve these results were not constrained by numerically defined targets. The point is especially relevant today in that Bernanke, as well as others now serving on the Open Market Committee, have advocated adopting a formal "inflation targeting" system. Greenspan consistently opposed doing so.

Greenspan provides a vigorous defense of his approach:

Some economists still argue that such an approach to policy is too undisciplined—overly complex, seemingly discretionary, difficult to explain. They want the Fed to set interest rates according to formal benchmarks and rules. We should manage the economy, say, to achieve an optimal level of employment, or by "targeting" a set rate of inflation. I agree that sensible policies can be made only with the help of rigorous analytic structures. But too often we have to deal with incomplete and faulty data, unreasoning human fear, and inadequate legal clarity. As elegant as modern-day econometrics has become, it is not up to the task of delivering policy prescriptions. The world economy has become too complex and interlinked. Our policymaking process must evolve in response to that complexity.

The most striking demonstration of this flexibility under Greenspan's leadership occurred in the mid- and late 1990s. Unemployment, which had risen sharply in the 1990–1991 recession, began to decline again in late 1992. By late 1994 unemployment had fallen below 6 percent, a level associated with rising inflation rates just five years before.

In response, the Federal Reserve raised interest rates, but not enough to slow the growth of either output or jobs. By mid-1997 unemployment had fallen below 5 percent—for the first time since 1973, infamously the beginning of the worst increase in inflation since World War II. Most economists expected inflation to increase, and many argued for a tighter monetary policy; yet the Federal Reserve did not act to raise interest rates. By early 2000, with unemployment down to 4 percent, the key overnight interest rate was just where the Open Market Committee had set it five years earlier. And although the United States encountered ample economic concerns in the early years of the new decade, inflation was not among them.

**W**hat emboldened Greenspan to reject the conventional wisdom of the day, on the core issue analyzed by economists interested in monetary policy? From his own close study of data describing patterns of industrial production—a study begun during his days as a private consultant to many industrial firms—he had

become persuaded that we were on the verge of a historic shift.... As the world absorbed information technology and learned to put it to work, we had entered what would prove to be a protracted period of lower inflation, lower interest rates, increased productivity, and full employment.

He had apparently held this view for some time. Although he does not mention it in his book, in October 1988, just two months after taking over at the Federal Reserve, Greenspan published an Op-Ed Article in *The Wall Street Journal* titled "Goods Shrink and Trade Grows." As a result of new technology, he argued, especially information technology, not only were ideas instead of physical content becoming increasingly important in producing the goods that advanced economies make, but it was becoming ever easier to buy and sell those goods across national borders. Although he does not explicitly say so, even as his leadership of the Federal Reserve was just beginning he already foresaw the unprecedented improvements in productivity that subsequently enabled the American economy to sustain historically rapid growth and low unemployment without generating upward pressure on inflation. Greenspan's early recognition of these developments led to one of the most successful examples of discretionary monetary policy on record.

A third theme that Greenspan emphasizes throughout his book, however, is harder to square with monetary policy as he conducted it—or with his own account. Greenspan continually reiterates his belief in the power of private economic activity organized in free, competitive markets. Government interference, therefore, is for him mostly a bad idea. It was, he writes, "the embrace of free-market capitalism," not monetary policy, that "helped bring inflation to quiescence." Further, in his view, free markets are not only efficient but robust. In the face of disturbances—higher oil prices, say, or a decline in either consumer or business confidence—they tend to correct themselves. "If the story of the past quarter of a century has a one-line plot summary," he writes, "it is the rediscovery of the power of market capitalism."

This mantra is strikingly at odds with Greenspan's account of what he and his colleagues did during his years at the Federal Reserve. They took corrective action, gave advice and even instructions, and took the initiative in anticipating the difficulties markets might face. They did so not just in the immediate aftermath of the September 11 atrocities, which anyone would recognize as out of the ordinary, but in one episode after another throughout his years at the Federal Reserve. Familiar examples include the 1987 stock market crash; the wave of financial problems in many Asian and Latin American countries beginning in 1997; the near collapse of the LTCM hedge fund in 1998; the passage of the millennium from 1999 to 2000 (which many people feared would trigger widespread "Y2K" computer glitches); and many others.

In dealing with such events Greenspan and his colleagues treated financial markets more as delicate flowers requiring careful attention and nursing. Similarly, although he frequently makes clear in what he writes that he rejects Keynesian economics, both at the Federal Reserve and during his time in the Ford White House he consistently advocated a Keynesian stimulus (through tax rebates or lower tax rates) whenever he thought the economy needed a boost.

Now that the Federal Reserve, President Bush, and both parties' leaders in Congress all agree that the US economy needs a boost once again, and financial markets both here and abroad are in turmoil, it is worth asking what responsibility Greenspan's leadership of the Federal Reserve bears for today's situation. Greenspan left office two years ago; but the initial catalyst for today's difficulties was the turnaround of US home prices after an astonishing run-up that lasted from the beginning of this decade through 2005, together with fears of spreading defaults on the mortgages that millions of Americans (especially those with poor creditworthiness, who took out "subprime" loans) used to buy many of these homes. Further, some of the other borrowing and lending patterns that now make financial markets look fragile—for example, the use of exotic financial instruments to sell packages of these mortgages to investors who had little sense of the risks involved—likewise represent the accumulation of trends that have been visibly in place for some years.

One familiar accusation that does not stand up is that the Federal Reserve under Greenspan was at fault for keeping interest rates too low for too long, thereby allowing house prices to soar as high as they did. True, the sustained increase in house prices in the first half of this decade was extraordinary. But there was no sign of general economic overheating. Total production began to expand again once the 2001 recession ended, but the recovery was not especially vigorous. Unemployment gradually declined, but not to unusually low levels. Job growth was consistently disappointing. Nor was there any evidence of rapidly quickening inflation, despite the huge increase in oil prices. What was rising rapidly was house prices, not the prices of ordinary goods and services. Moreover, the prices of other assets—most obviously stocks, but also commercial real estate—were not increasing much either.

Monetary policy is a blunt instrument. For all practical purposes, policymakers have at their disposal only one significant tool: raising or lowering the interest rate that banks charge one another for overnight loans. There is not one specialized interest rate that can be raised to keep inflation in check, another that can be cut to stimulate more jobs, and still another that can be raised to prevent home buyers from bidding up house prices. Not infrequently, some aspects of what is happening in the economy warrant making interest rates higher while others warrant the opposite. Making that choice is what monetary policymaking is all about.

Looking back today, we know that the economy did recover fully from the 2001 recession. The fears of deflation, with prices falling throughout the economy and monetary policy thereby rendered impotent as it was during the depression of the 1930s and in Japan in the 1990s, were not realized in the United States. It is all too easy, therefore, to say in retrospect that the Federal Reserve's actions—reducing the overnight interest rate all the way to 1 percent (in 2003) and then raising it only gradually (by mid-2005 it was still only 3 percent)—were excessively expansionary. As of 2003 the recovery was hardly firm, and crippling deflation was a real possibility. And by mid-2005, apart from housing, there was no other sign of excessive economic strength, or resurgent inflation, or a "bubble" in asset prices; nor has there been since then. It is simply not possible to make monetary policy one market at a time.

Central banking involves more than just making monetary policy, however, and in these broader respects the Federal Reserve, and Greenspan's leadership of it, do bear part of the blame for the subprime collapse and the wider damage to which it has led. As is becoming ever more apparent, many of the lending practices in the mortgage market during these years, especially in the subprime market, involved carelessness, deception, or both. Many people borrowed who had no prospect of servicing the loans they took out; they were hoping either to resell the house at a higher price, or to refinance it and draw on the appreciated value to make their payments. Some borrowers were apparently induced to buy houses they could not afford, or to take out loans they should not have been granted, by irresponsible brokers and other agents keen to make commissions on transactions despite knowing they were inappropriate.

Many of the banks that packaged these loans into securities also put them into complex investment "vehicles" that they did not understand, and sold them to investors who understood even less about them. The credit rating agencies, on which investors normally rely to inform them of such risks, were at best useless. Today the wreckage, consisting of abandoned houses, defaulted loans, displaced homeowners, banks making good on the billions of dollars of losses they had guaranteed, and uninsured investors marking down their portfolios, can be seen everywhere. The damage will surely get worse before it begins to abate.

Regulation of financial markets in the United States is both spotty and fragmented among numerous

agencies. One problem, from which many individual homebuyers suffered, is a straightforward gap in existing regulation. For years, a stock broker who recommended that a client buy a security that was grossly unsuited for that person had been subject to regulatory sanction, or even redress by private litigation, under the suitability requirements of the National Association of Securities Dealers as well as the New York Stock Exchange's "know your customer" rule. Both sets of rules operate under the aegis of the Securities and Exchange Commission. While they are far from being rigorously enforced, for real estate agents and independent mortgage brokers there are no such rules at all. In addition, poorly disclosed compensation arrangements for brokers, which would be illegal in the securities markets, have persisted in the mortgage market and give mortgage brokers substantial incentives to steer customers into loans that are excessively expensive or risky or both.

But in the buildup to today's mortgage market mess, numerous potentially helpful government agencies also either dropped the ball or looked the other way. As early as 2001 the Treasury Department tried to get subprime lenders to adopt a code of "best practices" and to submit to monitoring, but the large lenders objected and the Treasury did not press the matter. The Department of Housing and Urban Development likewise proposed a set of rules for real estate transactions but then failed to follow through. As recently as 2006 there was an interagency initiative to regulate nontraditional mortgage products such as packaged subprime mortgages, but again nothing came of it. The Office of the Comptroller of the Currency, a bureau of the Treasury Department that is always solicitous of the desire of banks to escape supervision and regulation if they can, has actively thwarted state-level action.

**A**nd the Federal Reserve Board, which under the 1968 Truth in Lending Act and other legislation is also responsible for regulating interest rate disclosures (and especially high-cost mortgages), likewise failed to act. This neglect by the Federal Reserve was hardly the result of lack of awareness. Both at the staff level and higher, numerous eyes were squarely on the problem. Edward Gramlich, a member of the Board of Governors from 1997 to 2005, frequently testified before Congress on problems in home finance and called within the Federal Reserve for action to halt abuses and make lending in this market more rational. But Greenspan was consistently unsympathetic, and the Federal Reserve neither took action on its own nor supported action by other agencies. In his book, Greenspan writes:

I was aware that the loosening of mortgage credit terms for subprime borrowers increased financial risk, and that subsidized home ownership initiatives distort market outcomes. But I believed then, as now, that the benefits of broadened home ownership are worth the risk.

Gramlich died last September. His final book, *Subprime Mortgages: America's Latest Boom and Bust*,<sup>[1]</sup> published shortly before his death, likewise welcomed the increase in home ownership that subprime mortgages have made possible—especially among low-income households, and especially among racial minorities. But Gramlich also called for a number of corrective measures. Most important, he argued, was to bring under federal regulation the state-chartered lending institutions that account for half of the subprime lending (but very little in the prime mortgage market). He also called for expanding existing legislation so that more borrowers could prepay their mortgages without penalties. A frequent problem today is that families who cannot meet their higher payments after the initially low two-year "teaser" rate is reset cannot afford to get out of the mortgage either. A third suggestion was to have the federal government fund many of the foreclosure prevention programs that already operate at the local level.

Today both Gramlich's analysis and his proposals look even more incisive. Indeed, some policymakers have taken notice. Last summer the Federal Reserve Board and the Office of Thrift Supervision, a bureau within the Treasury Department, launched a limited program to coordinate state-level and federal regulation of mortgage lending. More recently the Bush administration has proposed a moratorium on foreclosures.

Greenspan's opposition to such proposals was consistent with the admiration that he expresses for unfettered markets and the sanctity with which he regards property rights (which in this context really means private rights of contract) throughout his memoir. Both give rise to a systematic aversion to government regulation of private economic activity. For Greenspan, recognition that the workings of such markets sometimes destroy asset values, jobs, or even entire industries is still not ground for interference in the economy in the aggregate, or with individual transactions to which two or more private parties voluntarily agree.

Greenspan frequently appeals to the views of Joseph Schumpeter, the Austrian-émigré Harvard economist of the 1930s and 1940s, who labeled such economic developments "creative destruction." In contrast to Greenspan's careful nursing of the economy and the financial markets in his conduct of monetary policy, his rejection of regulation of the subprime mortgage market and of intervention in the built-up chain of financing that distributed the ownership of these securities (and the consequent risks) throughout the US economy and

abroad was of a piece with the economic philosophy he espouses.

Alas, Schumpeter to the contrary, not all destruction is creative. And although Adam Smith (whom Greenspan also admires) explained that the desire to make money is mostly what leads people to undertake economically useful activity, not everyone who is making money is doing something economically useful. Just how much damage the widening ripples of the subprime collapse will inflict, on either the US financial markets or the American economy, is still unclear. But in hindsight one wishes that Alan Greenspan, as Federal Reserve chairman, had clung to his economic philosophy in regulatory matters no more closely than he did in his hands-on conduct of monetary policy. Or that in fulfilling this particular responsibility of the Federal Reserve he had simply listened to Ned Gramlich.

### Notes

[\[1\]](#) Urban Institute Press, 2007.

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Alan Greenspan, Former Fed Chairman, Testifying to the House Oversight Committee on How He Got It Wrong, October 23, 2008.Â Thus, it was quite advantageous for Alan Greenspanâ€™s legacy as Chair of the Federal Reserve and what might have been an even worse economic slump that the Fed was given carte blanche to funnel hundreds of billions of dollars to Wall Street after 9/11 with the Federal government pumping billions more in fiscal stimulus. This report briefly outlines Chairman Greenspanâ€™s legacy and some of the issues facing his successor. It will not be updated. On January 31, 2006, Alan Greenspan retired from the Board of Governors of the Federal Reserve System (Fed).Â By law, he is ineligible to be reappointed to another term. Among the seven Fed governors, the President appoints and the Senate confirms one of the governors to be Chairman of the Board. The True Greenspan Legacy. As Alan Greenspanâ€™s reign as Fed Chairman gets closer to its end, people all over the press are either singing his praises or denouncing his practices. Today, Dr. RichebÃcher takes a look at the maestroâ€™s policies and theoriesâ€| Reading so many ecstatic laudations on Fed Chairman Alan Greenspan, "the greatest of all central bankers," two other names and occurrences came to mind. Shop Books. Chairman Greenspanâ€™s Legacy. Benjamin M. Friedman. March 20, 2008 issue.Â Alan Greenspan, who became chairman of the Board of Governors of the Federal Reserve System in August 1987, bore the principal responsibility for US monetary policymaking during most of this period. Alan Greenspan, the Federal Reserve chairman, with Treasury Secretary Robert E. Rubin, left, at a House hearing in 1995.Credit...Stephen Crowley/The New York Times. By Peter S. Goodman. Oct. 8, 2008. â€œNot only have individual financial institutions become less vulnerable to shocks from underlying risk factors, but also the financial system as a whole has become more resilient.â€ â€” Alan Greenspan in 2004.