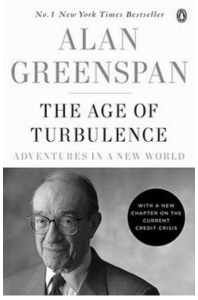

Allan Greenspan, *The Age of Turbulence. Adventures in a New World*, EUA: Penguin Books, 2008, 563 págs.

Allan Greenspan was born in New York in 1921. He studied Clarinet in Juilliard and became a professional musician. He obtained his PhD in Economics at NYU and in 1954 he co-founded a Consulting Firm under the name of *Townsend-Greenspan & Co*. From 1974 to 1977 he worked for President Gerald Ford at the Council of Economic Advisor. In June 1987 he was appointed as Chairman of the Federal Reserve by Ronald Reagan, a position he held until his retirement in 2006. Allan Greenspan was considered once as the second most powerful man in the world after the president of the United States. However, after being described by the press as a magician in monetary policy during the time he served as leader of the Federal Reserve, he became one of the most criticized figures during the 2008 US economic crisis. Paul Krugman, Nouriel Roubini and Joseph Stiglitz blame him for the mortgage bubble in Wall Street and make him responsible for doing nothing to avoid it.

"The Age of Turbulence" was published in 2007 for the first time and a second edition came a year later, with a commentary to the ongoing economic crisis. His book was given the rank of a best-seller by the New York Times. It contains 25 chapters and an epilogue in which Allan Greenspan writes valuable experiences in his life as a public executive, husband and economist. Along the numerous chapters, the reader is acquainted with the world of politics, foreign and internal affairs, economic policy and economic history of the United States. Throughout his interesting narration, he scrupulously defined his position in every matter he discusses, and confess to be a libertarian republican. Free market and democracy are indispensable and two economists seem to have shaped his ideology: Adam Smith (free market) and Joseph Schumpeter (creative destruction of capitalism). One of the most interesting chapters is the one named *Black Monday*. He explains how the Federal Reserve sets, through the Federal Open Market Committee (FOMC), the interest rates and how the different economic agents react, especially those working at Wall Street. He describes the US economy in 1987, its twin deficit problem and how inflationary pressures were thwarting economic growth. A sudden raise of the interest rate triggered a historical 22.5% drop at the stock market in a single day (October the 19th), a deed which was latter known as *Black Monday.* However, no matter how disruptive this measure was, inflation could be stifled and economic soundness reestablished. He also writes about the meaning of "irrational exuberance", a concept that was first published in the 90' meaning the boom at both, the Dow Jones industrial and the NASDAQ Index. Greenspan stated: "America was turning into a shareholder nation". His conviction that markets were able to neutralized deviations can be read as he assures: "First there´s no way to know for certain when a market is overvalued or undervalued (…) Second, you can´t fight the market forces, so talking about it won't do any good". This is at the same time an answer to his opponents, who accused him of not stopping such exuberance. Nevertheless, for Allan Greenspan, an asset cannot be over/undervalued since prices reflect rational decisions of investors and households based on their disposable information.

In chapter 12, he writes about the fundamentals of economic growth. He resorts the tenets of “The Wealth of the Nations”, a book written by Adam Smith in the XVIII century. Thus, he states that private property and the strength of the state to defend it constitutes the main pillar of progress; at the same time, free press and democracy, as well as the protection of minorities are further fundamentals for a sound government. The market system can work not only under full support of private property rights and a solid democratic government, but with confidence and reputation among the households who interact with each other in supply and demand operations.

In chapter 21, Greenspan addresses the problem of poverty and inequality. He recognizes an increasing concentration of income in the United States and worldwide. This trend began to be notorious up to the 80’, and has been used as ammunition to prop up populist movements and socialist ideas. Inequality has been the result of a wide variety of technology applied in business in order to reach higher levels of competitiveness. Furthermore, demographic and political changes have increased the availability of both, qualified and not qualified labor force worldwide. In this way, business cycles have become more dynamic and have left behind a more unequal world. For the Unites States in particular, the education system has played an important role in explaining inequality. In spite of the existence of high quality US universities, structural shortcomings prevail at the basic levels of US education. Only few US citizens can go to college and that makes a big difference in income inequality.

One of the most interesting chapters of Greenspan’s book is “The long term energy squeeze”. He explains here why oil represents a priority in the US foreign policy. The fact that most of the world oil reserves are in hands of governments whose policies are opposed the US interest, poses a big challenge. He then warned of a danger that seems to be taking shape in the early 2012; Iran has already menaced to close the Strait of Hormuz as a reaction of being punished by the UN for refusing to stop its nuclear program. Since one fifth of the world supply of oil has to cross that Strait, such maneuver could unleash a new war in the Middle East.

In the second edition, he writes an epilog dedicated to the 2008 US economic crisis. In that year, Lehman Brothers, one of the former members of Wall Street’s big five went into bankruptcy. Contrary to what Allan Greenspan´s detractors could expect, the author does not apologize nor admits to have made any mistake as a Chairman of the Federal Reserve that could have caused the crisis. The farthest he goes is by recognizing serious limitations in the prediction capacity of econometric models and statistical analysis. He resorts Keynes in order to explain that unforeseeable actions taken by “animal spirits” led by panic and euphoria are able to destabilize seriously markets. Nevertheless, a government intervention by some kind of regulation to control this phenomenon, the way the G-20 are intending to do, is condemned to failure. The hand of the state in the market should consist only in prosecuting cases of fraud. No public official is able to understand the dynamics of free markets and the law is too slow to be able to catch up with the creativity and innovation capacity of the markets.

"The Age of Turbulence" is a testimony that cannot be set aside if one intends to understand the complexity of the 2008 US crisis and the capability of the US economy to overcome it the way it has done in the last five decades.

Gerardo Reyes Guzmán