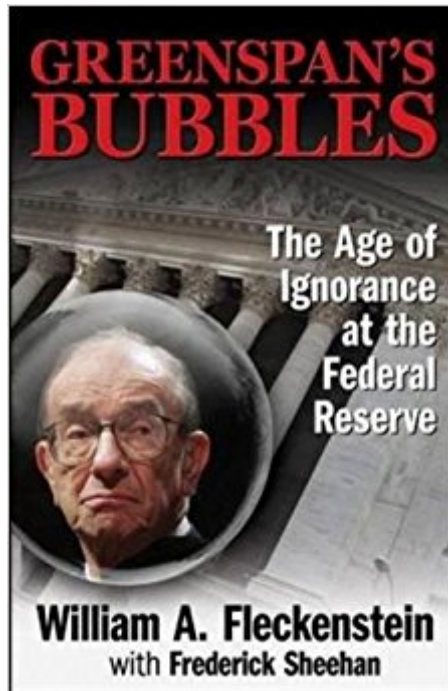




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# Greenspan's Bubbles: The Age Of Ignorance At The Federal Reserve



## Synopsis

No matter who you are-investor, trader, homeowner, 401(k) holder, or CEO-you are bound to feel the impact of Alan Greenspan's "Age of Ignorance" for years to come. According to MSN Money columnist William A. Fleckenstein, Greenspan's nearly 19-year career as Federal Reserve Chairman is even worse than anyone imagined. Labeled "Mr. Bubble" by the New York Times, Greenspan was nothing less than a serial bubble blower with a long history of bad decision-making. His famous "Greenspan Put" fueled the perception of a Goldilocks economy-but, as this explosive exposé reveals, the bear has finally caught up with Goldilocks. Using transcripts of Greenspan's FOMC meetings as well as testimony before Congress, this eye-opening book delivers a timeline of his most devastating mistakes and weaves together the connection between every economic calamity of the past 19 years: The stock market crash of 1987 The Savings & Loan crisis The collapse of Long Term Capital Management The tech bubble of 2000 The feared Y2K disaster The credit bubble and real estate crisis of 2007 Fleckenstein explains just how far-reaching Greenspan's mess has been flung, and presents damning evidence that contradicts the former Fed chief's public naiveté concerning shifts in the market and economy. He also points to a disturbing fact, that throughout his career, Greenspan not only made costly mistakes, but made the same ones-over and over again. And not only was he never able to recognize or admit to those mistakes, he constantly rewrote his own history to justify them. Greenspan's Bubbles offers a lock-stock-and-barrel portrait of a flawed but fascinating man whose words and actions have led a whole generation astray, and whose legacy will continue to challenge us in the years ahead.

## Book Information

Hardcover: 208 pages

Publisher: McGraw-Hill Education; 1 edition (February 6, 2008)

Language: English

ISBN-10: 0071591583

ISBN-13: 978-0071591584

Product Dimensions: 5.3 x 0.8 x 8.3 inches

Shipping Weight: 12 ounces (View shipping rates and policies)

Average Customer Review: 3.8 out of 5 stars 66 customer reviews

Best Sellers Rank: #429,921 in Books (See Top 100 in Books) #223 in Books > Humor & Entertainment > Puzzles & Games > Poker #308 in Books > Business & Money > Economics

> Money & Monetary Policy #790 in [Books](#) > Politics & Social Sciences > Politics & Government > Public Affairs & Policy > Economic Policy

## Customer Reviews

**PRAISE FOR GREENSPAN'S BUBBLES**

“After reading Greenspan's Bubbles you will have no respect for the Fed! It's a must-read—in it, the authors demystify the belief that the Fed 'solves' problems when, in fact, it is directly responsible for a colossal destruction of wealth of the median household and of the U.S. currency through its irresponsible monetary policies.”

—Marc Faber, editor of the Gloom, Boom & Doom Report

“Greenspan for Mt. Rushmore? Not if Bill Fleckenstein has anything to say about it.”

—James Grant, editor of Grant's Interest Rate Observer

“In his typically engaging style, Bill Fleckenstein pops the Greenspan bubble—presenting compelling and convincing evidence that the former Fed chief got us into this mess...”

—Herb Greenberg, Senior Columnist, MarketWatch.com

“Before Ben Bernake shovels more cash into the U.S.'s money trap, he should read Greenspan's Bubbles, a damning account of how his predecessor inflated two asset bubbles that mutated into \$11 trillion in home mortgage debt.”

—Bloomberg News

“Alan Greenspan was dubbed history's greatest Federal Reserve chairman upon his retirement in 2006, but the housing bust is prompting renewed criticism of his laissez-faire brand of monetary policy. Hedge fund manager William Fleckenstein is among the loudest critics. Fleckenstein is the author of Greenspan's Bubbles: The Age of Ignorance at the Federal Reserve. He views Greenspan's legacy as a litany of too-low-for-too-long interest rates that created the dot-com and housing bubbles.”

—US News & World Report

“I suggest that you read Greenspan's Bubbles, a recent book by William Fleckenstein. It'll knock your socks off.”

—Copley News Service

William A. Fleckenstein is president of Fleckenstein Capital, a money management firm based in Seattle. He writes a daily Market Rap column for his Web site, [Fleckensteincapital.com](#), as well as the popular column Contrarian Chronicles for MSN Money. Frederick Sheehan is a former Director of Asset Allocation Services at John Hancock Financial Services. He has written for Marc Faber's Gloom, Boom & Doom Report, Whiskey & Gunpowder, and the Prudent Bear Web sites.

For Fleckenstein, the insight into his ineptitude began long before 2007 and I disagree with one short comment I read before writing this that the book is all about cashing in on the current crisis. If you have read Fleckenstein for as long as I have (a decade now), you know that he has talked of

these issues for a very long time and as succinctly laid out the ramifications of the Greenspan put and ignorance for a long time prior to it being actualized. As a professional trader and author, I can only agree with Fleck's thesis and I believe he has done a good job in both presentation and believability. After all, he has used Greenspan's on speeches and Federal Reserve notes to weave together a realistic picture of what Greenspan must have been thinking while he guided the economy into the abyss. A full review is available on [...] for those interested, but suffice to say, this is a short read and a nice addition to anyone's book shelf (physical and mental). If we are to not repeat historical mistakes, then someone must alert us to them. Fleck has done that rather convincingly. L.A. Little, Reviewer for TA Today

In fall 1999, six months before tech stocks went into free-fall, the bestselling book "The Internet Bubble" was published. In it, the authors described how the financial foodchain of entrepreneur, venture capitalist, investment banker, and public stock speculator created the tech bubble. The authors also did the math to show how grossly over-valued Internet companies were. For most of this rampant speculation, Alan Greenspan was enabling the process by expanding the money supply and cutting interest rates. The authors of "Greenspan's Bubbles" document, in Greenspan's own words, why they think the Chairman was doing this. Greenspan's utterances--especially those behind the closed doors of the Federal Open Market Committee (FOMC) that the authors were able to access up until 2001--prove, the authors say, that it was because Greenspan drank the "new economy" Kool-Aid and thus didn't think there was a bubble. Other critics feel that Greenspan's statements, both private and public, were merely a cover to try to maintain the legitimacy of the Fed as long as possible....[...] Readers will have to decide which theory they find most feasible.

I am young so I was not aware of many of Greenspan's policies when he was in charge of the Fed. I just remember my mother complaining that everything he did had one purpose: to keep the stock market inflated. Nothing else mattered. This book reflects that somewhat non-academic view. It does a great job of discussing the policies and actions of the Fed during Greenspan's tenure. It is not written in highly technical or sophisticated economic language, but if you do not have any knowledge of monetary or fiscal policy you may struggle to understand the author's explanations. It does a fantastic job of explaining what Greenspan did and did not do at the Fed in a chronological order, and the resulting consequences. The short of it is that he is responsible for the tech and real estate bubbles. Read this book if you want to know why. It makes you think twice about the role of the Fed, as well as how politicians and political parties take credit, or shift blame, for the ups and

downs of the economy. It does not get into politics, but you can't help but think how fortuitous it was for Clinton to be in charge while the tech bubble was being inflated (same to some extent for Bush with the real estate bubble).

"The reason I wrote this book was so that the average person could understand the scope of the housing bubble, and what its bursting was going to mean and...where blame should be placed...at Greenspan's Fed, specifically," posits William Fleckenstein, who has keenly observed Mr. Greenspan's comments and actions in lucid daily commentary on the economic environment and investing practice for over a decade. By the end of Fleckenstein's crisp account, I craved that "The Maestro" had succeeded a fraction as well in HIS calling: Fleckenstein makes the story accessible to the average American, and his clarity stands in bold contrast with Greenspan's oft-obfuscating "Greenspeak." Given the current state of the housing market, readers of 'Greenspan's Bubbles' might be prompted to ask whether Greenspan feels any culpability for luring unsuspecting homeowners into adjustable mortgage rates. Fleckenstein observes, "Greenspan was extolling the virtues of floating rate mortgages when interest rates were at the lowest they had been in over 50 years," suggesting that Greenspan ought to, even if he does not. Certainly, today Greenspan expects Americans to believe he really didn't mean what he said when he endorsed ARMS. However, this book asserts that Greenspan blew serial bubbles in the stock market and real estate by keeping rates too low too long, thereby inviting reckless speculation. Fleckenstein likens normal cycles of economic ups and downs to going to a party, imbibing in a few drinks, and feeling kind of shaky the next day. However, Greenspan's take on the economy was to entice Americans to throw down fifty metaphorical shots of tequila to keep the party going. There's got to be a morning after, and 'Greenspan's Bubbles' helped me connect the dots between Greenspan's career at the Fed and the pain of duped Americans losing their homes, well-qualified hopeful homebuyers being shut out from credit, and the lowering status of the U.S. dollar- which has been the world's reserve currency for almost one-hundred years. "Lucky" for him he squeaked through his tenure right before the tequila hit the fan.

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