September 15, 2007

Former Fed Chief Attacks Bush on Fiscal Role

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WASHINGTON, Sept. 14 — Alan Greenspan, who was chairman of the Federal Reserve for nearly two decades, in a long-awaited memoir, is harshly critical of President Bush, Vice President Dick Cheney and the Republican-controlled Congress, as abandoning their party's principles on spending and deficits.

In the 500-page book, "The Age of Turbulence: Adventures in a New World," Mr. Greenspan describes the Bush administration as so captive to its own political operation that it paid little attention to fiscal discipline, and he described Mr. Bush's first two Treasury secretaries, Paul H. O'Neill and John W. Snow, as essentially powerless.

Mr. Bush, he writes, was never willing to contain spending or veto bills that drove the country into deeper and deeper deficits, as Congress abandoned rules that required that the cost of tax cuts be offset by savings elsewhere. "The Republicans in Congress lost their way," writes Mr. Greenspan, a self-described "libertarian Republican."

"They swapped principle for power. They ended up with neither. They deserved to lose" in the 2006 election, when they lost control of the House and Senate.

As officials leave the Bush administration, there is no shortage of criticism of this White House: Disenchanted hawks are writing that Mr. Bush has abandoned the certainties of the first term and taken too soft a line on North Korea and Iran; from the other side of the spectrum, former officials are telling tales about how the administration bent rules on torture or domestic spying.

But Mr. Greenspan, now 81, is in a different class, by dint of his fame, his economic authority and his service across party lines. His critiques are likely to have more resonance among Mr. Bush's base.

His book was provided to The New York Times by his publisher, Penguin Press, under an agreement that nothing would be reported until its publication date, on Monday. But The Wall Street Journal, saying it had purchased a copy from a retailer, published excerpts on its Web site on Friday night, freeing other news organizations to do the same.

Much of the book concerns Mr. Greenspan's reflections on markets, globalization and the media's fascination with the thickness of his briefcase on the way to meetings of the Federal Open Market Committee, which sets interest rates.

He praises President Bush for letting the Fed stay independent of political pressure, saying he was scrupulous in not trying to interfere with monetary policy — which he contrasts sharply with the pressure exerted by his father, George H. W. Bush, in the early 1990s. For years, the first President Bush has blamed Mr. Greenspan for contributing to his defeat in 1992 by failing to prevent a recession by cutting interest rates.

Of the presidents he worked with, Mr. Greenspan reserves his highest praise for Bill Clinton, whom he described in his book as a sponge for economic data who maintained "a consistent, disciplined focus on long-term economic growth."

It was a presidency marred by the Monica Lewinsky scandal, he writes, but he fondly describes his alliance with two of Mr. Clinton's Treasury secretaries, Robert E. Rubin and Lawrence H. Summers, in battling financial crises in Latin America and then Asia.

By contrast, Mr. Greenspan paints a picture of Mr. Bush as a man driven more by ideology and the desire to fulfill campaign promises made in 2000, incurious about the effects of his economic policy, and an administration incapable of executing policy.

The White House is clearly not eager to get into a public argument with Mr. Greenspan, whom President Bush reappointed to a fifth term in May 2004. But they pushed back at Mr. Greenspan's central themes.

"The Republican leadership in the House and Senate kept to our top number," Tony Fratto, a White House spokesman, said. Veto threats worked, he said, to keep spending within caps set by the White House. "We're not going to apologize for standing up the Department of Homeland Security and fighting terror."

Mr. Greenspan described his own emotional journey in dealing with Mr. Bush, from an initial elation about the return of his old friends from the Ford White House — including Mr. Cheney and Donald H. Rumsfeld, secretary of defense — to astonishment and then disappointment at how much they had changed.

"I indulged in a bit of fantasy, envisioning this as the government that might have existed had Gerald Ford garnered the extra 1 percent of the vote he'd needed to edge past Jimmy Carter," Mr. Greenspan writes in his memoir. "I thought we had a golden opportunity to advance the ideals of effective, fiscally conservative government and free markets."

Instead, Mr. Greenspan continued, "I was soon to see my old friends veer off in unexpected directions." He expected Mr. Bush to veto spending bills, he writes, but was told that the president believed he could control J. Dennis Hastert of Illinois, the Republican speaker of the House, better by signing them.

"My friend," he writes of Mr. O'Neill, "soon found himself to be the odd man out; much to my disappointment, economic policymaking in the Bush administration remained firmly in the hands of the White House staff."

He was clearly referring to the political team led by Karl Rove at the White House. Mr. Rove was a neighbor of Mr. Greenspan in a leafy enclave near the Potomac River, but the two men almost never had a conversation.

In responding to Mr. Greenspan, Mr. Fratto of the White House disputed the accusation that Mr. O'Neill's economic arguments were ignored. "Just because you don't carry the day doesn't mean your views weren't considered," Mr. Fratto said.

Though Mr. Greenspan does not admit he made a mistake, he shows remorse about how Republicans jumped on his endorsement of the 2001 tax cuts to push through unconditional cuts without any safeguards against surprises. He recounts how Mr. Rubin and Senator Kent Conrad, Democrat of North Dakota, begged him to hold off on an endorsement because of how it would be perceived.

"It turned out that Conrad and Rubin were right," he acknowledges glumly. He says Republican leaders in Congress made a grievous error in spending whatever it took to ensure a permanent Republican majority.

Mr. Greenspan has critics as well, and they are likely to weigh in as soon as the book is published. Though he publicly disagreed with Mr. Bush's supply-side approach to tax cuts, urging Congress to offset the cost with savings elsewhere, he refrained from public criticism that could have shifted the debate. His willingness to criticize now, 18 months after leaving office, may open him to the accusation of failing to speak out when it could have affected policy.

Today, Mr. Greenspan is indignant and chagrined about his role in the Bush tax cuts. "I'd have given the same testimony if Al Gore had been president," he writes, complaining that his words had been distorted by supporters and opponents of the cuts.

Mr. Greenspan, of course, had been the ultimate Washington insider for years, and knew full well that politicians cited his words selectively to suit their agendas. He was also legendary for ducking delicate issues by, as he once said, "mumbling with great incoherence."

Mr. Greenspan's memoir describes at some length the monetary policies that many economists say fostered the extraordinary economic boom of the 1990s. In what is widely regarded as a brilliant insight, Mr. Greenspan became convinced the United States could grow faster than generally thought because productivity was climbing much faster than the official statistics implied.

Mr. Greenspan writes briefly about what may become a more troubling legacy, the housing bubble, and now the bust, that was fueled by low interest rates and risky mortgages in the last six years.

Some economists argue that Mr. Greenspan deserves considerable blame, because the Fed slashed interest rates to rock-bottom lows and kept them there for three years after the stock market collapse and the recession in 2001.

The Fed was "a prime culprit in creating the crisis," wrote Steve Forbes, publisher of Forbes magazine, in a just-published commentary. But other economists, including critics of Mr. Greenspan, say the housing bubble resulted from much broader forces, including a dramatic drop of interest rates around the world and an explosion of mortgages that required no money down, no income verification and deceptively low initial teaser rates.

Mr. Greenspan generically defends the Fed's action, writing: "I believed then, as now, that the benefits of broadened home ownership are worth the risk. Protection of property rights, so critical to a market economy, requires a critical mass of owners to sustain political support."

The book appears in stores on Monday, the day before the Fed is expected to lower interest rates in an effort to prevent the collapsing housing market from taking the rest of the economy down with it.