

# Greenspan on the Griddle

*Congress grills the Fed  
Chairman and produces more  
heat than light. Who are these  
folks on Capitol Hill?*

BY OWEN ULLMANN

At least half a dozen times a year, Federal Reserve Chairman Alan Greenspan treks up to Capitol Hill to report to Congress on an array of financial and economic issues. Whether his testimony focuses on monetary policy, financial markets, the federal budget, energy policy, or trade, Greenspan's words command the world's attention. Yet once the Fed chairman completes his prepared remarks, hardly anyone pays any heed to the subsequent exchange of questions and answers between Greenspan and the members of the Congressional committee that summoned him. The sessions can go on for hours, yet they rarely produce news—or much enlightenment.

You would think that with the world's most powerful banker held captive before them, the senators and representatives would engage Greenspan in a thoughtful discussion on the top economic issues of the day. Instead, the inquisitors are more interested in pursuing their own political agendas. They may be soliciting his support for—or opposition to—specific legislation, grandstanding for the audiences back home about a major local concern, or trying to bait him into an embarrassing political position.

As a result, the taciturn Greenspan does his best to be even more circumspect than usual in his responses. And the primary contribution from the lawmakers, having squandered the opportunity for lively debate, is entertainment for those in attendance and the few folks who watch the proceedings on C-SPAN.

For Greenspan, the questioning is annoying at times but largely harmless. Few members of Congress rail against his policies, and the Republicans who now wield power are friendly, including Senate Banking Committee Chairman Richard

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*Owen Ullmann is deputy editorial page editor of USA Today and co-executive editor of The International Economy.*

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888 16th Street, N.W.  
Suite 740

Washington, D.C. 20006

Phone: 202-861-0791

Fax: 202-861-0790

www.international-economy.com  
editor@international-economy.com

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Shelby of Alabama and House Financial Services Chairman Michael Oxley of Ohio.

And even those who hector him the most can't compare in antagonism to legendary House Banking Committee Chairman Henry B. Gonzalez of Texas, a Democratic populist who tormented Greenspan during the 1980s and 1990s. Not only did Gonzalez oppose Fed monetary policies, but he also made life miserable for Greenspan by attacking the Fed as an institution, from its lack of minorities in high positions and lavish spending to the way it selected regional presidents. Gonzalez' threat to pass legislation to rein in the Fed was never taken seriously, but his vows to cut the Fed budget got Greenspan's attention and forced him

to do all he could to pacify the House Chairman. Greenspan used to complain that Gonzalez was the biggest thorn in his side. Needless to say, Greenspan was thrilled when Republicans captured the House in 1994.

Compared to the ordeal of facing a Gonzalez tirade, Greenspan's grilling from the current crop of antagonists is downright tame. Even Gonzalez' son, Charles, who replaced him in Congress in 1998, is less combative. At one recent hearing, Greenspan quipped that Charles was much nicer to him than was his father.

Among Greenspan's toughest critics:

**The Echo.** Sen. Paul Sarbanes, a five-term Democrat from Maryland, was chairman of the Senate Banking Committee until Republicans took charge this year. His most effective tactic is to throw Greenspan's past testimony in his face in an attempt to discredit the chairman's economic pronouncements. Fed officials consider Sarbanes clever and knowledgeable but predictably partisan.

At a hearing this past July, Sarbanes cited Fed forecasts going back three years that consistently predicted stronger growth than actually had occurred. "Are the models that you're using at the Fed overly optimistic, or have we fallen into the trap of believing that there's a mythical recovery which is just around the corner?" Sarbanes asked. Greenspan dodged the thrust by claiming the forecasts were from individual members of the Federal Open Market Committee. "That is not the staff forecast, as such, which we produce separately," the Fed chairman replied deftly.

And at the hearing in February, Sarbanes ridiculed Greenspan's endorsement of Bush's 2001 tax cut on the grounds that a huge budget surplus was forcing the government to pay down all of its debt. "I remember that hearing as though it were

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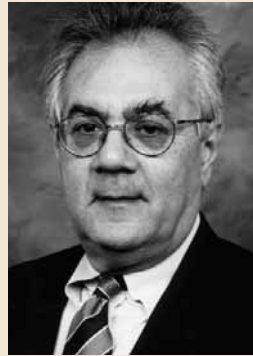
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## Capitol Hill Grill Masters



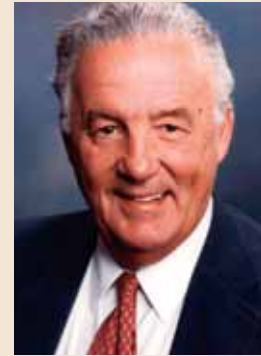
**Sen. Jim Bunning (R-KY):**

*Greenspan's harshest Republican critic in the Senate has accused the Chairman of surrounding himself with "yes men and women."*



**Rep. Barney Frank (D-MA):**

*Smart, does his homework, often has Greenspan flustered and on the ropes.*



**Sen. Paul Sarbanes (D-MD):**

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**Rep. Ron Paul (R-TX):**

*A gold-standard zealot, no one matches him for off-the-wall monetary questions.*



**Rep. Bernie Sanders (I-VT):**

*The only avowed socialist in Congress has regularly charged that the Chairman always sides with "the wealthy and large corporations."*

yesterday," Sarbanes said. "Chairman Greenspan argued that a tax cut was needed 'to smooth the glide path so that the government debt would not be paid off too quickly and put the government in the position of acquiring private assets.' Well that was then, and now is now." Sarbanes' point: the national debt is soaring because of huge deficits spurred in part by the tax cuts Greenspan endorsed.

**The Pit Bull.** Sen. Jim Bunning of Kentucky, a former Major League Baseball pitcher, is Greenspan's harshest Republican critic in the Senate, proof that the Fed chairman's detractors are bipartisan. Bunning actually takes pride in his self-designated title as Greenspan's biggest Republican critic in Congress. His

complaint, which he repeats every chance he gets, is that the Fed helped cause the past recession. "As I point out many times," he told Greenspan in February, "I believe that you waited too long to cut the federal funds rate when the economy started tanking in 2000. I believe that delay has greatly contributed to the state of our economy right now ... Unfortunately, we don't have a time machine to fix past mistakes."

At a March 2002 hearing, Bunning accused Greenspan of surrounding himself with "yes men and women" at the Fed. And his attempt to force Greenspan to admit the Fed popped the Nasdaq bubble produced a farcical exchange, with both men talking past one another, as one might expect when a cerebral central banker and ex-baseball player mix it up over economics.

Both laughed after noting that they only agreed that they have “a very major disagreement.”

**The Class Warrior.** Henry Gonzalez may be gone, but his populist cause lives on in Representative Bernie Sanders, an independent from Vermont and the only avowed socialist in Congress. Sanders wages class warfare with zeal. A typical Sanders assault on Greenspan occurred in July, when he charged that the Fed chairman always sides with “the wealthy and large corporations” against the working class. The exchange that followed:

Sanders: “Do you give one whit of concern for the middle class and working families of this country?”

Greenspan: “Congressman, we have the highest standard of living in the world.”

Sanders: “No we do not! You go to Scandinavia and you will find that people have a much higher standard of living in terms of education, health care, and decent paying jobs.”

Greenspan: “For a—”

Sanders: “Wrong, Mr. Chairman!”

Greenspan: “May I answer your question?”

Sanders: “You sure may.

Greenspan: “Thank you. For a major industrial country, we have created the most advanced technologies, the highest standard of living for a country of our size... I submit to you that—may I?”

Sanders: “I’m just making a face.”

Greenspan: “...Our immigration rates are very high, and why? Because they think this is a wonderful country to come—”

Sanders: “That is an incredible answer.”

Mercifully, the committee chairman struck the gavel several times to silence Sanders.

**The Gold Bug.** Some lawmakers like to show off their superficial knowledge of economics and international finance by asking Greenspan arcane questions about currency exchange rates, trade deficits, or the money supply. But no one matches Representative Ron Paul for off-the-wall monetary questions. The Texas Republican, a physician who ran for President in 1988 as the Libertarian Party candidate, is a gold-standard zealot. In every encounter with Greenspan, he finds some way to chide the Fed for failing to maintain a sound dollar—which he defines as being linked to gold.

In July 2002, he claimed that central banks were dumping hundreds of tons of gold on the world market as part of a conspiracy to prevent a devaluation of paper money. “I have been trying desperately to find out the total amount of gold either

dumped and sold on the markets or loaned by the central banks of the world...but these figures are not available to me. Maybe you can help me find this,” Paul told Greenspan. Paul also said he is pushing a bill to bar the U.S. Treasury from selling gold without informing Congress.

Greenspan must have needed all his self-restraint to keep from laughing out loud at the foolish question. He assured Paul that neither the Fed nor the Treasury trade gold. And he said central banks disclose their gold holdings on a regular basis. “They all report what they own,” he said, relieved that Paul’s time for questions had expired.

**The Brain.** A handful of lawmakers are worthy intellectual adversaries who earn Greenspan’s respect and, at times, even strike fear in him. They are smart, do their homework, and go brain-to-brain with him, perhaps none more effectively than Representative Barney Frank, a Democrat from Massachusetts. His convivial manner makes him seem low-keyed even when he’s going for the jugular.

Frank had Greenspan on the ropes and flustered last February, as he tried to trap the Fed chairman into repeating his concern that the country couldn’t afford President Bush’s new tax cut plan because of the soaring budget deficit. Greenspan had made the remark the day before at a Senate hearing and the media had played it as a major rupture with the White House.

Frank kept circling and Greenspan kept dodging a direct answer. “I happen to think that the types of programs which have been brought forth which are in the president’s programs are of the type that I would approve of,” he said, sidestepping the cost issue altogether.

“I’m disappointed,” Frank said. “Why are you disappointed?” Greenspan replied, falling for the trap. Then Frank went in for the kill: “I think when you restated yesterday, quite honestly, your long-held position on the deficit and disagreed with those who pooh-poo deficits, it got presented in this morning’s papers as being critical of the proposal the President put forward. And my strong impression today is that you are seeking now to find the maximum points of agreement to diminish the impression created that your long-standing positions would be somewhat negative of the tax cut.”

Bull’s eye. Greenspan was reduced to Fedbabble: “If you’re going to start with the question of having an aggregate revenue capacity in which to fit tax cuts and expenditure increases, then you’re dealing with an issue of making choices amongst various different elements if the total of all of the programs you’re dealing with exceed, as they always do, the aggregate amount of revenue capacity in the system.” Got that?

Frank won that round, a rare victory for a lawmaker against the wily Greenspan. But aside from the lively exchange, neither man shed much light on the nation’s pressing economic problems. But then a congressional hearing is probably the last place to do that. ◆