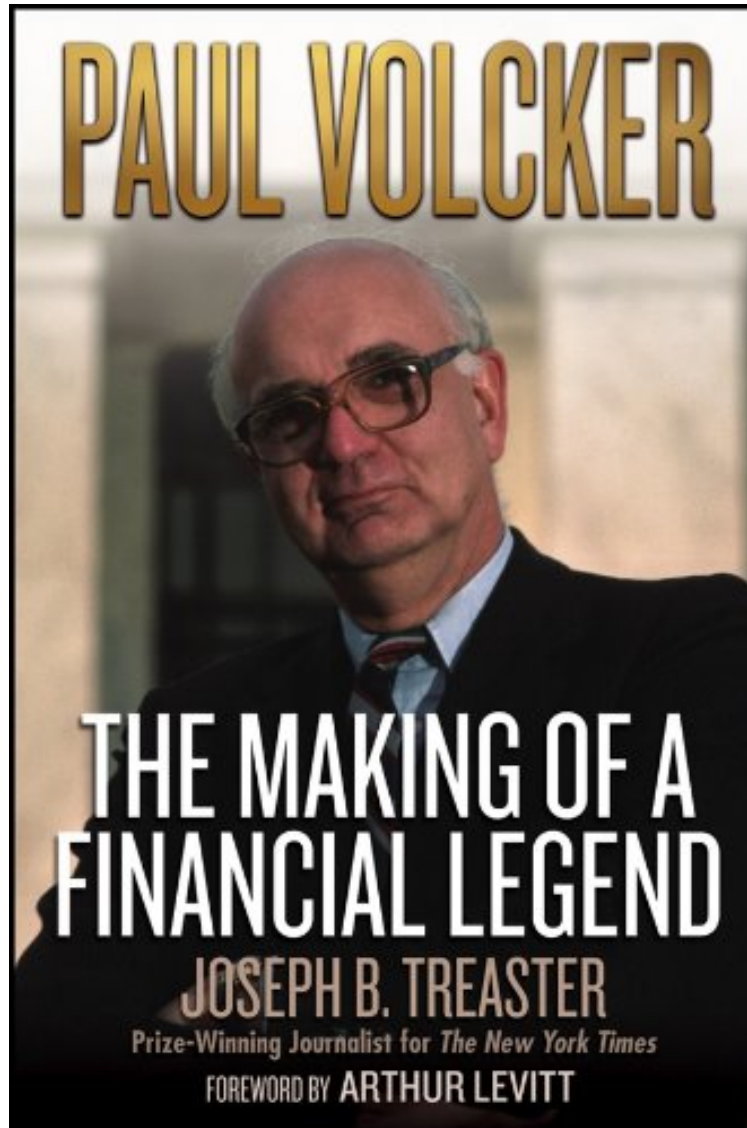


(Download) Paul Volcker: The Making of a Financial Legend

Paul Volcker: The Making of a Financial Legend

Joseph B. Treaster

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Joseph B. Treaster : Paul Volcker: The Making of a Financial Legend before purchasing it in order to gage whether or not it would be worth my time, and all praised Paul Volcker: The Making of a Financial Legend:

0 of 0 people found the following review helpful. Very Good SellerBy aHardcover book arrived in 9 days. Clean book, good binding, pages excellent, little dust cover wear. Very satisfied.2 of 3 people found the following review helpful. Good mix of the persona and the policymakerBy Cliente de KindleFor any person interested in that elusive element of economic policymaking, the personality of the one at the helm, this book will undoubtedly be worth to read. In his "Changing Fortunes" (co-authored with Toyoo Gyohten), Volcker maintained his private life indeed quite private. This book lifts the veil significantly. Even in personality, notably for an amazing austerity and commitment to public

service, Volcker emerges as a central banker to emulate. The details on his family, particularly the sufferings of his wife and son, are indeed touching. The book is relatively short, something to be grateful about. But succinctness meant clear sacrifices. Any person really interested in Volcker's career would need also to read "Changing Fortunes", particularly to know about the fascinating times that Volcker lived in the Treasury Department, and crucially in the process of the collapse of the Bretton Woods system of fixed exchange rates. Even the period of Volcker at the Fed's chief is sparsely covered in some important aspects. Paul Volcker clearly deserves the many positive things that Treaster says about him. But sometimes one gets the impression that the author became too close to his subject, without even the benefit of getting in return information to clarify some aspects of Volcker's career. Moreover, it is a little tiring to be reminded time and again that Volcker has to be revered because he slay the inflation dragon. Indeed he has to be, but perhaps the author emphasizes the point a little too much. Even in a text clearly intended for people without any knowledge in economics, some extra details would have added more light to the inflation drama that Treaster tries to build, particularly on why and how it was allowed to increase. The Latin American debt crisis put many big American banks on the verge of an abyss, and Volcker was crucial in the (successful) efforts to avert a disaster, but that international crisis is barely mentioned in one paragraph.

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Man of the Volk
By G.X. Larson
When he was chairman of the Federal Reserve, Paul Volcker was perceived by many as being a villain, a "bankster" dead set on ruthlessly strangling Main Street's households and small businesses. Fast forward thirty years later and he is perceived as a hero, a premier public servant who automatically increases the stature of any cause or organization that ties itself to the man. What is the reason behind this change of heart? Time, for one thing, has let us see that Volcker's inflation-busting crusade helped stabilize the American economy which, in the 1960s and 1970s, had witnessed frequent recessions and surges of inflation. Why was inflation so bad during this period? Treaster's book doesn't tackle this subject as much as I would have liked (he does lay down the basic details, though), but the reasons are simple and important: Inflation makes it unwise to hold onto cash for long periods of time, as the cash at hand will lose value. This means that Grandma's savings plan goes to pot during periods of high inflation. Inflation, when detected by economic actors, increases prices (duh). These price increases are also directly and indirectly caused and maintained by expectations, demand for higher wages to keep up with costs of living, and costs of doing business. All this is a textbook explanation of inflation---we must look at history to discover why this inflation occurred. In the postwar years American big business had a free reign over the world economy while European and Japanese industry were in recovery mode. This unique situation allowed big business and government to behave in ways that would have been impossible in less-ideal situations: big business and government had a "social contract" after WWII, where government---supported by confident economists---would control the business cycle while businesses would raise employees' living standards. This noble dream, not Vietnam war spending or OPEC oil shocks, brought about the "Great Inflation", argues Robert Samuelson, author of *The Great Inflation and Its Aftermath*. Since recessions were to be avoided at all costs, modest amounts of inflation never had the opportunity to peter out. Businesses responded to modest inflation by raising prices to keep up with rising costs, while labor sought to keep up with rising prices with increased wages. The spiral was kept alive with loose monetary policy: if ever the Fed tried to slow inflation by reducing the money supply, it caused unemployment rates to increase, which caused elected officials to complain loudly (they had a social contract to uphold), which caused the Fed to relent to government criticism. Indeed, in the 1950s the money supply grew by 23 percent; in the 1960s by 44 percent; and in the 1970s by 78 percent. In the 1970s the Federal Reserve constantly mis-estimated economic signs like full employment, potential output, slack, and productivity growth (always erring on the we-need-expansion side), causing it to choose expansionary monetary policies where such policies were actually harmful. It was like Mickey Mouse in *The Sorcerer's Apprentice*. With inflation spiraling ever more out of control, price controls, used by several presidents, could not stem the tide of inflation, as such controls didn't treat the root cause. In addition to the points listed in the second paragraph, inflation during this period decreased the value of the dollar, making it harder for Americans to import goods and making investment unappealing to foreigners. The Fed had tried to cool down inflation before Volcker was appointed chairman but simply didn't have the backbone necessary to do the job. President Jimmy Carter, willing to try almost anything to shake the nation out of its "malaise", decided after a ten day meditation at Camp David to sack 34 members of his cabinet, among them Treasury Secretary Michael Blumenthal, who had been somewhat of a critic of the administration. Carter filled the vacant position with William Miller, who had days earlier been Fed chairman. Miller's old position was filled by Volcker, who had been serving as the president of the New York Fed. Tellingly, Volcker had warned Carter that if he were to be appointed, he would crusade against rising inflation. Interest rate hikes in early 1980 sparked a recession lasting six months from February to July. Malaise and stagflation were on the mind of the average voter in November, 1980, and Carter was booted out of office in favor of Ronald Reagan (who famously said "A recession is when your neighbor loses his job. A depression is when you lose yours. And recovery is when Jimmy Carter loses his.") Little did Reagan know that he would be in danger of losing his job, too, as the economy experienced additional interest rate hikes in 1981, causing a severe recession. This second recession, known as the "Volcker Recession", lasted from August 1981 to November 1982; interest rates peaked at around 21 percent, and unemployment rates nearly hit 11 percent. (The 1982 House of Representative elections saw 26

Republican representatives lose their jobs, while Democrats picked up 27 seats.) Inflation, which was what these ordeals were over, decreased from a high of near 14 percent in 1980 to a negligible 3.2 percent in 1983. I had previously been told (rather, I had previously read) that Reagan stood by and watched as Volcker crusaded against inflation. Treaster's book suggests that this was not the case: Treaster paints Reagan as a somewhat naïf concerning monetary affairs. He did essentially let Volcker do his business, but at the same time he contradicted the chairman's efforts by expanding the budget deficit with defense spending (demand-pull inflation, here). Reagan's men did not like Volcker, and by 1987 he had had seen enough writing on the wall. Joseph Stiglitz writes that Volcker "was fired because the Reagan administration didn't believe he was an adequate de-regulator". Probably this is pushing it too far, but in any case he was replaced by Alan Greenspan. This is the only accessible biography of Volcker that I know of, and it gets the job done. It is a little on the short side; it is not written in chronological order (sometimes it seems like Treaster shuffled the chapters together like a deck of cards); and it is a little too sparse on the economic details (eg., early on Treaster says that some economists have said that inflation could have been defeated with softer policies, but this is never explained in the book).

As the Chairman of the Federal Reserve from 1979 to 1982, Paul Volcker established himself as one of the most influential economic thinkers. Currently a major advocate for corporate governance and accounting reforms, Volcker's reputation as a great business leader with uncompromising ethics continues to this day. Written by award-winning New York Times journalist Joseph Treaster, *Paul Volcker: The Making of a Financial Legend* takes readers through the most compelling moments of this legend's life in private and public service. From his early days as a young Treasury Department official through his appointments to the New York Federal Reserve Bank, the Federal Reserve, and James D. Wolfensohn, Inc., this inspiring book captures the significant moments in Volcker's life and explores the ethical, economic, and moral dilemmas he faced at every turn.

This new biography of Paul Volcker... Adds colour and personality to a figure who often came across to the general public as a 'cold and arrogant numbers cruncher.' (CFO Europe, July 2004) It may be hard to remember that the chairman of the Federal Reserve Board can be reviled as well as revered. But witness the tenure of Paul Volcker, Alan Greenspan's predecessor, whose tough economic policies halted the runaway inflation that staggered the American economy in the late 1970's and early 80's. Even so, Volcker's engineering of ever higher interest rates cost millions of Americans their jobs. (Embittered Democrats would include President Jimmy Carter among the victims.) In "Paul Volcker: The Making of a Financial Legend," Joseph B. Treaster, a financial reporter for The New York Times, has written something of a mash note to the retired Fed chairman, a slim biography that lauds Volcker's steadfastness in applying the economic shock therapy that laid the groundwork for the boom years in the 1990's. Treaster offers little in the way of new policy history; William Greider's "Secrets of the Temple" (1988) provides a much more comprehensive and skeptical account of Volcker's tenure at the Fed. Where Treaster does break ground is in his personal portrait. Volcker could appear insensitive in public, but Treaster enters into his family life as well; particularly touching is Volcker's relationship with his son, who has cerebral palsy. Treaster's depiction of Volcker's honesty and resilience highlights some attributes that American policy makers should keep in mind as the Greenspan era draws to a close. ALEXANDRA STARR (New York Times Book, May 23, 2004) "This new biography of Paul Volcker... Adds colour and personality to a figure who often came across to the general public as a 'cold and arrogant numbers cruncher.'" (CFO Europe, July 2004) It may be hard to remember that the chairman of the Federal Reserve Board can be reviled as well as revered. But witness the tenure of Paul Volcker, Alan Greenspan's predecessor, whose tough economic policies halted the runaway inflation that staggered the American economy in the late 1970's and early 80's. Even so, Volcker's engineering of ever higher interest rates cost millions of Americans their jobs. (Embittered Democrats would include President Jimmy Carter among the victims.) In "Paul Volcker: The Making of a Financial Legend," Joseph B. Treaster, a financial reporter for The New York Times, has written something of a mash note to the retired Fed chairman, a slim biography that lauds Volcker's steadfastness in applying the economic shock therapy that laid the groundwork for the boom years in the 1990's. Treaster offers little in the way of new policy history; William Greider's "Secrets of the Temple" (1988) provides a much more comprehensive and skeptical account of Volcker's tenure at the Fed. Where Treaster does break ground is in his personal portrait. Volcker could appear insensitive in public, but Treaster enters into his family life as well; particularly touching is Volcker's relationship with his son, who has cerebral palsy. Treaster's depiction of Volcker's honesty and resilience highlights some attributes that American policy makers should keep in mind as the Greenspan era draws to a close.

ALEXANDRA STARR ("New York Times Book, May 23, 2004) From the Inside Flap Paul Volcker is a living legend of finance. He has established himself as one of the world's most influential economic thinkers and is regarded as both a figure of integrity and an instinctive leader who, throughout his career, has invariably done what he has thought was right, regardless of the consequences. Volcker is that rare financial titan who never sought to amass great personal wealth. Throughout his career, it is evident that he had no greater goal than doing the best job he could in the public interest, leading organizations from both the public and private sector to seek out his advice when crises

of confidence arose. Written by award-winning New York Times journalist Joseph B. Treaster, *Paul Volcker: The Making of a Financial Legend* takes you through the most compelling moments of Volcker's fifty years in finance and public service, documenting his days as one of the most powerful voices in America as chairman of the Federal Reserve, as well as his more recent endeavors, including a mission to revive the Arthur Andersen accounting firm and efforts to recover billions in lost savings of Holocaust victims from Swiss banks. From public politics to private business, this masterful book examines the ethical, economic, and moral dilemmas Volcker faced at every turn. Compelling moments captured within these pages include Volcker's: Early days as a young Treasury Department official during the Nixon years and his leading role as Treasury Department undersecretary in ending the Bretton Woods system Appointment as president of the New York Federal Reserve Bank Tenure as chairman of the Federal Reserve from 1979 to 1987—through the Carter and Reagan administrations Role as chairman of the investment firm James D. Wolfensohn, Inc. Campaigns for change in corporate governance and accounting Weaving together anecdotes and analysis in an action-oriented narrative, *Paul Volcker: The Making of a Financial Legend* is an engaging account of how one man achieved results that ultimately improved the lives of millions of Americans and continues to influence the worlds of business and finance.