



THE
GREENSPAN
EFFECT



*Words That Move
the World's Markets*

*David B. Sicilia
and
Jeffrey L. Cruikshank*

MCGRAW-HILL

*New York San Francisco Washington, D.C. Auckland Bogotá
Caracas Lisbon London Madrid Mexico City Milan Montreal
New Delhi San Juan Singapore Sydney Tokyo Toronto*

CONTENTS

THE POWER OF GREENSPAN	xi
------------------------	----

Part I

GREENSPAN, THE FED, AND THE STOCK MARKET

1 The Fed Chairman as World Celebrity	3
2 The Fed's Levers of Power	15

Part II

WORDS THAT LIFT MARKETS

3 The "Exceptional" Economy	29
4 The "Oasis of Prosperity"	35
5 The "Salutary" Sell-Off	42
6 The Wealth Effect	47

Part III

WORDS THAT SINK MARKETS

7 "Irrational Exuberance" in the Stock Markets	55
8 Battling Inflation	62
9 Tight Labor Markets	68
10 Financial Contagion	74

Part IV

REMAKING FINANCIAL INSTITUTIONS

11 Reforming Social Security	83
12 Merging Commercial and Investment Banking	90

CONTENTS

13 Reforming Federal Deposit Insurance	95
14 Derivatives	99

Part V

WORLD CRISIS MANAGER

15 The Asian Crisis	109
16 The Crash of '87	115
17 The Gulf War	121

Part VI

COMPETING IN THE GLOBAL ECONOMY

18 U.S. International Competitiveness	129
19 Foreign Investment in the U.S.	134
20 Economic Reform in Russia and Eastern Europe	139
21 The Virtues of Capitalism	144

Part VII

CRITICAL INVESTMENTS

22 The American Education System	151
23 Consumer Saving, Credit, and Retirement	155
24 Corporate Restructuring	160
25 Income Inequality	165
26 Small Business Finance	169
27 The Farm Economy	174
28 Mortgage Finance	179
29 The Federal Budget Deficit	184

Part VIII

GREENSPAN LOOKS TOWARD THE 21ST CENTURY

30 The "New" Economy	193
31 The Future of the Federal Reserve	201
32 The Future of the Banking System	205
33 The Future of Financial Services	210
34 Technology and the Future	214

Part IX

THE INVESTOR'S ROADMAP
TO GREENSPAN

35	Explaining the Greenspan Effect	221
36	The Game of Deciphering Greenspan	228
37	What Matters—and Doesn't— When the Chairman Speaks	235
38	Greenspan and the Future of the Stock Market	243
	NOTES	251
	BIBLIOGRAPHY	269
	INDEX	271