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Greenspan Era Taught People to Gamble

THE Alan Greenspan era, which is drawing to an end, deserves to be remembered as the era in which many millions of Americans were forced to become gamblers. That it was also an era when many of those gambles paid off should not obscure the fundamental change.

When Mr. Greenspan took over the Federal Reserve from Paul A. Volcker in the summer of 1987, the stock market was hot and there were warnings of a price collapse. The crash arrived, but what seems remarkable now is just how unimportant that was. No recession followed.

One reason for the mild economic impact was that the world of 1987 was still largely one in which people who played the stock market wanted to play the stock market. Those who did not could lock in perfectly reasonable returns without taking much risk, for example by investing in Treasury bills. As Mr. Greenspan took office, banks were advertising one-year certificates of deposit at more than 8 percent, more than double the annual inflation rate.

But the most important fact for average Americans was that they were likely to have defined-benefit pension plans from their employers. In such pensions, the company put money into stocks and bonds to pay for benefits, and it took the risk that the investments would not work out.

All that has changed, as was demonstrated this week by [Hewlett-Packard](#). It plans to cut 14,500 jobs and will no longer contribute to defined-benefit pension plans for those who are left.

The pension plans that remain tend to be, as Bradley D. Belt, the executive director of the federal Pension Benefit [Guaranty Corporation](#), told Congress last month, "in our oldest, most mature industries." The agency now assumes that most of the workers covered by its insurance are no longer working for the companies where they earned pensions, having retired or taken jobs elsewhere.

Within the Standard & Poor's 500-stock index, three-quarters of the companies still have defined-benefit plans, but more and more of them are legacy plans, closed to new employees and no longer accumulating benefits for workers who are in the plans. S.& P. reports that only 191 companies in its index had pension plans with assets of \$1 billion or more at the end of last year. The majority of the nearly \$1.3 trillion in assets in S.& P. 500 pension funds are in just 22 companies.

MOST private-sector workers now have defined-contribution plans. Such plans can work out well, but

there are no guarantees. Workers may or may not make wise (or lucky) investment decisions. They may choose to cut back on contributions when times are tight, making an adequate retirement income even less likely.

In his testimony this week, Mr. Greenspan warned that while Social Security traditionally provided workers with around 40 percent of their preretirement income, that was unlikely to continue, leaving them even more dependent on savings and pensions. President Bush thinks putting some Social Security money into private accounts would benefit the workers, but if it does, it would be because the gamble on stocks worked out, something it might not do.

What all this has meant is that workers whose parents viewed the stock market as something for rich people to play now find themselves forced to take part in it.

Is it good for them? One answer comes from investor attitudes toward companies that have pension plans. Over all, plans in S.& P. 500 companies ended last year with assets worth \$164 billion less than their liabilities, and that scares investors, who tend to applaud companies that do what Hewlett-Packard is doing - shifting the risk to the workers.

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