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HIRING IN NATION HITS WORST SLUMP IN NEARLY 20 YEARS

LAYOFFS DESPITE GROWTH

Surge in Number of Workers Who Have Stopped Looking for Jobs Since Summer

By DAVID LEONHARDT

The economy has fallen into its worst hiring slump in almost 20 years, and many business executives say they remain unsure when it will end.

The employment decline has become even worse than it was at a comparable point in the so-called jobless recovery of the early 1990's, according to recently revised statistics from the Labor Department. The economy has lost more than two million jobs, a drop of 1.5 percent, since the most recent recession began in March 2001, as layoffs have continued despite the resumption of economic growth more than a year ago. The decline was 1.3 percent at the same point in the business cycle a decade ago.

About one million people appear to have dropped out of the labor force since last summer, neither working nor looking for a job, according to government figures.

The surge in discouraged workers is the most significant since the months immediately after the recession's start. This suggests that the pain of joblessness has worsened even though the official unemployment rate, which counts only people looking for work, held steady at 6 percent in December.

"Last year," said Tom Koehn, 50, who lost his job at a machinery maker in South Bend, Ind., in May, "I heard a lot of people say, 'Come back after the first of the year; if the economy picks up, we might hire some people.' But so far, I haven't found anybody who's hiring."

The shortage of jobs has also slowed wage growth so that only workers in the most affluent groups are still gaining ground on inflation, ending a six-year streak of broad increases in buying power.

Manufacturers of durable goods like computers, furniture and steel have made the deepest cuts, with one of every nine jobs in these industries eliminated since early 2001. Airlines, brokerage firms and makers of clothing and textiles have also each cut at least a tenth of their work forces. Government agencies have been among the few employers that continue to expand, although many states are now laying off employees to close budget deficits.

Executives say they have been disappointed too many times by the halting growth of the last year to

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begin hiring workers in significant numbers. While the government is likely to report tomorrow that the economy added some jobs in January, many executives are still waiting to be convinced that business has regained a solid footing after the collapse of the bubble of the late 1990's.

The possibility of a war with Iraq and an increase in oil prices offers another reason for hesitation, they say. Many companies have also used new technologies and management techniques to produce more with the same number of employees.

"This is what I call the new reality," said Robert M. Dutkowsky, the chief executive of J. D. Edwards, a software maker in Denver that has kept its work force at 5,000 people for the last few years. "The environment we're operating in is what it's going to be like for a while."

In his State of the Union address last week, President Bush called the improvement of the job market his "first goal" for the coming year and asked Congress to pass a $670 billion, 10-year tax cut.

"We must have an economy that grows fast enough to employ every man and woman who seeks a job," Mr. Bush said. "With unemployment rising, our nation needs more small businesses to open, more companies to invest and expand, more employers to put up the sign that says, 'Help Wanted.'"

Most economists say that the tax plan and another $4 billion in help for the jobless would have only a small effect on the economy this year.

The number of companies cutting jobs has spiked since November, with AOL Time Warner, Boeing, Dow Jones, Eastman Kodak, Goodyear, J. C. Penney, McDonald's, Merrill Lynch, Sara Lee, and Verizon all announcing new layoffs. Barring a sustained rise in oil prices, however, the cuts appear likely to taper off in the coming months as the economy continues its slow recovery, most forecasters say.

The bigger problem seems to be the unwillingness of companies to hire new workers. In December, the number of help-wanted advertisements in newspapers across the country fell to the lowest level in almost 40 years, according to the Conference Board, a research group in New York.

"There isn't the confidence level in business today that we need for growth," said Cinda Hallman, chief executive of the Spherion Corporation, a staffing company based in Fort Lauderdale, Fla., that places almost 400,000 people in jobs, down from 600,000 three years ago. "There's uncertainty. Companies are being much more cautious than they used to be."

The labor market entered the 2001 recession tighter than it had been in 30 years, with the jobless rate falling below 4 percent in late 2000. Even at 6 percent — its level in December, the most recent reading — it remains lower than it was during the aftermath of most other recessions.

But the reluctance of companies to hire is causing pain in ways that the jobless rate does not measure.

An unusually large number of today's unemployed have been out of work for months, including Mr. Koehn, the South Bend manufacturing worker, who lost his job last spring. Almost 1.9 million people still looking for work have been unemployed for at least six months, triple the number of two years ago.

"There are a lot of people out there who aren't used to asking for help who need some help," said Mr. Koehn, who plans on applying to convenience stores if he has not found other work before his jobless benefits expire in mid-February. "It's a tough pill to swallow when people say, 'Oh, you still haven't found work,' and you know you've been looking."

Many other people seem to have stopped looking. Since June, the number of adults not in the labor force has jumped by more than one million, to 72.4 million, according to the Labor Department. Many are retired, still in school or raising children, but the sharp change suggests that a growing number have become too frustrated to continue applying.

"I went out and pounded the pavement faithfully," said Theresa H. Washington, who lost her $60,000-a-year electrician's job more than a year ago at a Cleveland steel mill closed by the LTV Corporation. "I did the whole nine yards in terms of looking for work, and I never had an interview.

"There is no job market right now," Ms. Washington, 47, added. She estimated that she had applied to more than 50 companies.

In May, she enrolled in a community college and is studying to become a counselor to people addicted to alcohol or drugs, a job that will pay about $40,000 a year. Until she finishes the program in May 2004, she and her two children will rely on extended jobless benefits of about $370 a week, a local health care clinic, a food bank and help from friends and family, she said.

"It's been a complete change in lifestyle," she added.

The prolonged jobs slump has also taken away much of the bargaining power that workers had in the 1990's.

Qualcomm, the technology company based in San Diego, receives 200 résumés a day, up almost 25 percent from a year ago, and the applicants are generally more qualified than in the past, said Daniel Sullivan, executive vice president for human resources.

At 7-Eleven stores, employee turnover remains high, but it has fallen in the last year. "One of our biggest challenges was getting people," said James W. Keyes, 7-Eleven's chief executive. Now, he said, "it's much, much easier to both recruit and retain employees."

With little need for companies to compete for workers, wage growth has ground almost to a halt, after inflation takes its bite, for people in the bottom of the income distribution. That is a sharp reversal from the late 1990's, when low unemployment and increases in the minimum wage allowed low-income workers to receive bigger proportional raises than those in the middle.

Workers at the 20th percentile of earners made $8.31 an hour at the end of last year, or only 1.1 percent from a year earlier, according to an analysis of government data by the Economic Policy Institute, a liberal group in Washington. Over the same span, inflation was about 2.2 percent.

The median worker — the one falling squarely in the middle of the distribution — received a 2.1 percent raise over the same span, to $13.36. The top third of earners received increases of about 2.7 percent.

In the late 1990's and 2000, workers near the bottom were receiving annual raises of more than 4 percent, slightly better than the increases for those at the median or for most of those near the top.

The economy has shown signs of picking up in recent weeks, including a survey of service-sector managers released yesterday that showed their business improved in January. But the hints of recovery are difficult to distinguish from ones that proved false in the last year or so, executives say. Many companies still have more stores and factories than they can profitably use, and little need to add new workers.

The effects of the bubble of the late 90's in the stock market and business investment will eventually wear off, but the recent increases in corporate efficiency appear to have created a long-term change in the level of economic growth needed for an improving job market. The economy advanced 2.8 percent from the end of 2001 to the end of last year, which was once a growth rate capable of generating demand for tens of thousands of new workers a month. Yet payrolls still declined significantly, as companies used both new technologies and strategies forced on them by an increasingly competitive economy to produce more goods and services with fewer people.

In the last few years, for example, Applebee's, the restaurant chain based in Overland Park, Kan., has centralized its purchasing of food to save costs and began varying the pay of its workers more than it had been, in order to retain the most productive ones. The steps have allowed its sales to grow faster than its employment, said Lloyd L. Hill, the chief executive.

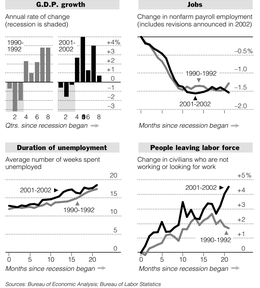
"It's not brain surgery," Mr. Hill said. "We just recognized we had to do better."

BASF, the world's largest chemical company, spent $4 billion investing in new plants and equipment in the United States in the last five years. Like many companies, it will turn to its new machines to increase production.

"Now," said Klaus Peter Löbbe, who runs BASF's North American operations, "comes the time to make the assets sweat."

Growth Without Jobs

The 1990-91 recession, which began in July 1990 and continued for three quarters, was deeper than the 2001 recession. But in the recent recovery, even more jobs have been lost than during the so-called jobless recovery of the early 1990's. And lately people have stayed unemployed or left the work force than in the comparable period a decade earlier.

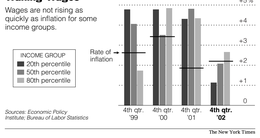


Sources: Bureau of Economic Analysis; Bureau of Labor Statistics

The New York Times

Waning Wages

Wages are not rising as quickly as inflation for some income groups.



Sources: Economic Policy Institute; Bureau of Labor Statistics

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NEW YORK, WEDNESDAY, AUGUST 6, 2003

In Most of the U.S., A House Is a Home But Not a Bonanza

By DAVID LEONHARDT

FORT WAYNE, Ind. — On a tree-filled boulevard known as Doctors' Row, the four- and five-bedroom brick Tudor homes that are the jewels of this city's housing stock were selling for about $150,000 two decades ago. At the time, some homes in the nation's most desirable suburbs, like Brookline, Mass.; Sausalito, Calif.; and Great Neck, N.Y., cost the same.

Over the last 20 years, however, the nation's housing market has been cleaved in two, and the break has helped create two very different economies in one country.

Homes in the areas that were already the most expensive — California and the Boston-to-Washington corridor — have often doubled or tripled in value, even after adjusting for inflation. The increases have created nest eggs for longtime owners and allowed them to borrow billions of dollars against their equity, financing new kitchens and college educations and keeping the current economic malaise from being far worse than it might have been.

But while the boom has become the subject of daily conversations among the middle class and affluent in New York, San Francisco and Los Angeles, people in much of the country have little housing bounty to tap for home improvements, retirement or other needs. From Fort Wayne to Rochester to Salt Lake City, the prices of typical homes across most of the country's vast middle have risen just ahead of inflation — and more slowly than incomes. The cost

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of homes in the most expensive cities is now about six times that in the least expensive, up from a ratio of three to one two decades ago.

Here in Fort Wayne, the homes with elegant porticoes and broad lawns on Doctors' Row sell for about $300,000 today, roughly the same as they did in the early 80's, after being adjusted for inflation.

Not a single house in Fort Wayne — a small, manufacturing-heavy city halfway between Chicago and Detroit, with a jobless rate below the nation's — has sold this year for more than $800,000, according to real estate industry data. That is roughly the average price of a two-bedroom apartment in Manhattan.

"The real housing boom is fairly concentrated," said Mark M. Zandi, the chief economist of Economy .com, a research firm. "And at the last moment, it is clearly keeping the economy afloat in those areas."

There is no such cushion throughout much of the nation's interior. Some economists argue that the Federal Reserve's aggressive interest rate cuts might have been more effective at ending the economic slowdown if the gains in house prices — and the potential they create for consumer spending — had been more broadly shared.

Last year, Tom and Judy Auer sold the four-bedroom Fort Wayne house where they raised their three children for $107,000, or slightly less than the $34,000 they bought it for in 1974, after adjusting for inflation. Without a bonanza from the sale, the couple now live in a smaller house in Fort Wayne, relying on the pension from Mr. Auer's job as a hardware salesman at Sears, Roebuck and Social Security, which they began drawing early.

Marva and Bill Herz, on the other hand, left Fort Wayne in 1988 to move to the Philadelphia suburbs for his job. When they returned last year, they had made enough profit selling their Pennsylvania house — for about 40 percent more than the purchase price — that they were able to move into a house in Fort Wayne noticeably bigger than the one they had left.

"The home costs in Fort Wayne have stayed pretty much the same," said Ms. Herz, who is in her 50's. "In Philadelphia, we made a good profit in just four years."

The dynamic is reversed for younger adults, who are struggling to afford houses on the coasts while their counterparts elsewhere in the country are taking advantage of low mortgage rates to buy bigger, better homes than in the past.

"All my friends in Fort Wayne have houses. I think the biggest thing

Tom Strattman for The New York Times

If you can live like a king for $200,000 in Fort Wayne, Ind., for $100,000 you can still do well. Brady Gerding recently bought 27 acres near the city, where he and his wife will build a house. Price: $102,000.

Justin Lane for The New York Times

Michael Korte, 28, holds his nephew Liam Cox-Nicol, in the two-bedroom Manhattan apartment he rents with his sister and brother-in-law. He says all his friends in Fort Wayne, his hometown, have houses.

in the world I own is a cellphone," said Michael Korte, a 28-year-old Fort Wayne native who works for the City Council in New York and rents a two-bedroom apartment along with his sister, brother-in-law and nephew on the Lower East Side. "It blows my mind."

For $102,000, Brady Gerding, a high school classmate of Mr. Korte, recently bought 27 acres of land outside of the city where he and his wife will build a house. It will be the second house owned by Mr. Gerding, who, unlike Mr. Korte, did not graduate from college.

"You can still live like a king in Fort Wayne for $200,000," said Linda Duesler, who has been selling houses here since 1977. "And you can live pretty well for $100,000."

Beyond determining many families' wealth and standard of living, the two-tier housing market has begun to create difficult questions for government officials trying to create policies that apply to the entire na-

In the San Jose, Calif., area, home to the slumping Silicon Valley, households have raised about $10,000 on average since the start of 2002 simply by taking additional equity out of their homes when refinancing a mortgage, according to Economy .com. In Boston and Washington, they have taken out about $4,000. In much of the Midwest, they have taken out less than $2,000.

In fact, households in the middle of the country that fall behind on mort-

In Fort Wayne real estate, $100,000 still goes a long way.

gage bills cannot rescue themselves by dipping into their rising home equity and making up for a series of missed payments in one swoop. The states where home foreclosures have spiked most sharply since 2000 — including Indiana, which tops the list — are in the Midwest or Southeast.

"The only reason that mortgage delinquencies aren't soaring in the entire country is that house prices are still rising," Mr. Zandi said.

The housing gulf stems in part from the relative open space and lack of building regulations away from the coasts that allow builders in Fort Wayne and elsewhere to put up new homes as soon as there is demand for them, and sometimes even before. Prices in Austin, Tex., and Las Vegas, two fast-growing areas, have risen only moderately, for example, as high-ceilinged houses with room-size closets have sprung up over the last decade.

The gulf is also a byproduct of trends that have drawn educated, highly skilled people to the coasts. The surge of global trade and the growth of finance, health care and other white-collar industries have led the Northeast's and West Coast's share of the nation's economy to grow to almost 45 percent, from 39 percent in 1980, according to Economy.com. High-earning workers have followed the jobs, and not even an economic downturn that has hit Wall Street and Silicon Valley particularly hard has reversed the trend.

"We are seeing a migration pattern of talented, creative people that we may never have seen before," said Richard Florida, a professor of economic development at Carnegie Mellon University in Pittsburgh. "More and more people are demanding what's found in New York and Boston and San Francisco, and there's not enough space to accommodate them."

The executives at the Lincoln Financial Group, a money-management and insurance company, moved the company headquarters to Philadelphia after almost a century in Fort Wayne, in part to have an easy time recruiting talented employees, the executives said. But the workers who moved with the company were so vexed by the gap in housing prices that they began having dinner together, along with their spouses, to talk about strategies for buying in the Northeast. In the end, their main strategy consisted of making a lot of sacrifices, they said.

"I now have half the house and twice the mortgage," said Priscilla Brown, a vice president at Lincoln. "We just weren't quite prepared for the sticker shock."

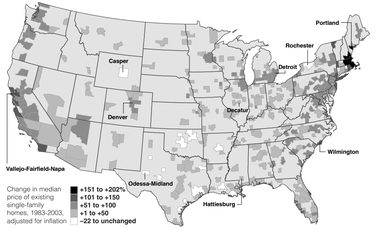
Over the long term, house values tend to increase at roughly the same rate as incomes in any region, economists say. Because prices have outgained incomes on the coasts in the last two decades, many analysts expect the housing gap to narrow eventually — but they were saying the same a decade ago.

"It takes generations for people to react to economic realities," said Patrick Lawler, chief economist at Office of Federal Housing Oversight, which oversees Fannie Mae and Freddie Mac, the mortgage companies. "But it's remarkable that prices could have moved so differently over an extended period of time without more correction occurring."

It will begin to occur, real estate agents say, only when people decide that a mansion in Fort Wayne is more appealing than a small apartment in New York or San Francisco.

The Limits of a Housing Boom

Over the last 20 years, housing prices have soared on the coasts but failed to rise nearly as fast in the rest of the nation. This map shows the change in the median prices of existing single-family homes in major metropolitan areas and surrounding vicinities from 1983 to 2003. An extended version of the chart below, with data for all 318 major metropolitan areas, can be found at nytimes.com/business.



Median price of existing single-family homes

	1983 (Unadjusted)	1983 (in 2003 dollars*)	2003	CHANGE Inflation-adjusted
Northeast				
LARGEST INCREASES				
Portland, Me.	$ 36,600	$ 64,700	$195,600	+202%
Boston and southern New Hampshire	89,000	157,400	420,700	+167
Barnstable-Yarmouth, Mass.	87,000	153,900	405,100	+163
DECLINE AND SMALLEST INCREASES				
Buffalo-Niagara Falls	$ 42,400	$ 75,000	$ 88,400	+ 18%
Syracuse	46,600	82,500	89,100	+ 8
Rochester	56,500	100,000	94,800	– 5
Southeast				
LARGEST INCREASES				
Wilmington, N.C.	$ 44,300	$ 78,400	$157,200	+100%
Asheville, N.C.	44,900	79,500	148,700	+ 87
Baltimore	63,800	112,900	194,100	+ 72
SMALLEST INCREASES				
Florence, Ala.	$ 57,400	$101,600	$112,300	+ 10%
Jackson, Miss.	55,400	98,100	107,200	+ 9
Hattiesburg, Miss.	53,600	94,800	96,600	+ 2
Midwest				
LARGEST INCREASES				
Detroit	$ 47,000	$ 83,200	$161,100	+ 94%
Chicago	75,800	134,200	229,800	+ 71
Ann Arbor, Mich.	70,900	125,500	214,000	+ 70
SMALLEST INCREASES				
Fort Wayne, Ind.	$ 45,500	$ 80,500	$ 88,600	+ 10%
Springfield, Ill.	49,700	88,000	96,900	+ 10
Decatur, Ill.	51,200	90,700	99,200	+ 9
West				
LARGEST INCREASES				
Vallejo-Fairfield-Napa, Calif.	$ 80,300	$142,100	$348,400	+145%
Santa Cruz-Watsonville, Calif.	110,800	196,200	477,800	+144
San Jose, Calif.	124,300	220,100	534,400	+143
DECLINE AND SMALLEST INCREASES				
Billings, Mont.	$ 60,400	$106,900	$128,500	+ 20%
Spokane, Wash.	54,100	95,700	110,300	+ 15
Casper, Wyo.	62,400	110,400	109,200	– 1
Southwest				
LARGEST INCREASES				
Denver	$ 76,900	$136,100	$232,400	+ 71%
Flagstaff, Ariz., and southern Utah	61,200	108,400	181,000	+ 67
Colorado Springs	66,500	117,700	180,500	+ 53
LARGEST DECLINES				
Enid, Okla.	$ 58,800	$104,100	$ 89,000	– 15%
Lafayette, La.	71,800	127,000	108,500	– 15
Odessa-Midland, Tex.	60,100	106,400	83,300	– 22
Other notable areas				
Los Angeles	$112,300	$198,800	$311,900	+ 57%
New York	83,900	148,400	334,700	+125
Philadelphia	59,700	105,700	162,000	+ 53
Houston	78,400	138,700	133,000	– 4
Atlanta	57,100	101,100	148,400	+ 47
United States	*68,800*	*121,800*	*164,200*	*+ 35*

*Adjusted using the consumer price index minus the component for the price of shelter.

Sources: Economy.com; National Association of Realtors; Bureau of Labor Statistics

The New York Times

The New York Times

NEW YORK, FRIDAY, MAY 14, 2003

College Graduates Lower Sights In Today's Stagnant Job Market

By DAVID LEONHARDT

CHAPEL HILL, N.C., May 12 — In years past, most seniors at the University of North Carolina ignored the recruiters from Newell Rubbermaid, the maker of dishwashing gloves and Calphalon cookware, dismissing the company as another unfashionable manufacturer. This year, the handful of students Newell hired as management trainees became minor campus celebrities, simply because they had secured jobs months before graduation.

When North Carolina seniors receive their diplomas here on Sunday, only about 15 percent of them will have jobs awaiting them, half the percentage that did a few springs ago, according to a university estimate. Another 25 percent will enroll in graduate school, leaving about 6 in 10 seniors without a long-term plan come Monday morning.

The nation's class of 2003 was the last one to enter college while the stock market was still rising, but it is graduating into the worst hiring slump in 20 years, one that is now into its second year on campuses and has afflicted young and well-educated workers to an unusual degree.

Corporations, after cutting their hiring of new graduates by 36 percent between 2001 and 2002, are hiring about the same number of graduates as they did last year, according to a survey by the National Association of Colleges and Employers.

"We definitely picked the wrong time to be graduating from college," said Morgan Bushey, 21, who will make about $200 a week teaching English in France, after having been rejected by seven law schools. "We just have to hold on with our fingertips for a few years until we can do what we really want to do."

The lack of jobs is the main reason that applications to medical school increased this year for the first time in seven years, according to the Association of American Medical Colleges. Applications to law schools

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jumped 10 percent, after having risen almost 18 percent last year. The number of people taking the Graduate Record Exam, the standardized test required for most doctoral and master's programs, rose to its highest level ever, after declining through much of the late 1990's.

Meanwhile, applications to Teach for America, which recruits college graduates to teach for two years in public schools in poor neighborhoods, have more than tripled in the last two years.; Wendy Kopp, the program's founder, said the economy appeared to be one reason. AmeriCorps, the national service program that pays $9,300 a year, and the Peace Corps have also become more popular and more selective.

College seniors have reacted to their poor timing with a mixture of anxiety and level-headedness. Many recall the signing bonuses and stock options offered to graduates a few years ahead of them and wonder how their own careers will get started.

"There is a haunting sense of insecurity," said Michael Barlow, a senior here who hopes eventually to work in the Foreign Service and is still looking for a job. "It is terrifying to be out of school with no job lined up and ready to go."

But few of them express the frustration that is common among older unemployed workers who know that their long-term prospects have dimmed and who have dropped out of the labor force in large numbers during the last two years.

Asha Rangaraj, a North Carolina senior from Monroe, La., recalls that her brother, two years older than she is, was hired out of college to work for Bill Gates's money manager "really without any experience." She, on the other hand, endured a few unpromising interviews before deciding to enroll in North Carolina's master's program in accounting — in large part because 99 percent of its graduates get jobs, she said.

Still, Ms. Rangaraj said: "I think it's definitely temporary. Everybody has that feeling — two or three years, and everything will be back to normal."

The change has been particularly unpleasant in Chapel Hill, home to one of the country's most selective public universities, whose lush campus sits just a few miles from Research Triangle Park, the once-booming technology cluster.

But seniors on every campus — big and small, Ivy League and community college — are struggling to find entry-level jobs that they want, college officials say.

"It's pretty grim," said Jack R. Rayman, the director of career services at Pennsylvania State University. Its graduate-school fair drew thousands of students this year, filling large ballrooms in the student union.

Over all, the unemployment rate for people ages 20 through 24 rose to 10.1 percent last month, up from 9.9 percent a year earlier and less than 7 percent in 2000, according to the Bureau of Labor Statistics. The jobless rate for the entire work force was 6 percent last month.

With good-paying jobs scarce, more graduates apply to service programs.

Courtney Flaks, 21, a senior at the University of North Carolina from North Brunswick, N.J., said her plan was "just to go home and annoy people for jobs. I don't have any idea how long it's going to take."

Ms. Flaks, who is seeking a job as a graphic designer at a magazine, had a summer internship at Seventeen magazine and recently won a competition to redesign the nameplate of a campus literary magazine. Even so, she has had little success just finding openings to apply for.

"I finally have an interview, kind of," Ms. Flaks said, of an upcoming visit to Condé Nast, the publishing company in New York. "It's an exploratory interview. I don't know what that means."

Many of this year's success stories have come at companies like Newell that were the antithesis of excitement during the dot-com craze of the late 1990's. This year, however, excitement requires little more than an offer of a good-paying job.

According to Marcia B. Harris, the director of career services here, North Carolina's biggest recruiters — and thus hottest companies — include Newell; Enterprise Rent-a-Car; Ferguson Enterprises, a distributor of plumbing supplies, and Modern Woodmen of America, an insurer.

Newell has a management trainee program that is hiring 400 college graduates this year across the country.

By contrast, Accenture and Ernst & Young, consulting firms that specialize in technology and that each hired 25 seniors at the peak of the boom, hired a combined total of three or four this year, Ms. Harris said.

Jon Narveson, another senior, from Asheville, N.C., came to Chapel Hill expecting that he would end up at a computer company, he said. He will instead move to Charlotte this summer and oversee Newell products at some Lowe's home-improvement stores in the area.

"Whether it's fashionable or unfashionable doesn't matter to me," Mr. Narveson said. What matters, he said, is that he likes the Newell executives he met and that they seem eager to help him learn the business.

The students who have been accepted by Teach for America or the Peace Corps, in spite of this year's odds, express similar gratitude.

After watching many of last year's seniors return home after graduation without jobs, Stephanie L. Scott adopted an attitude of "whatever it takes," she said. As a backup, she and a friend met in a library for two hours, three times a week over the course of two months, to study for the G.R.E. But her first priority was Teach for America, and she will begin teaching in Louisiana this summer.

"Right now, it almost doesn't matter what you're doing," said Ms. Scott, who is from Goldsboro, N.C., and was the first person in her family to attend college. "If you have a job, people look at you like, 'You're so lucky.' "

In fact, many seniors said that the last few months had given them a sense of rejection on a scale they had never before felt. Ms. Bushey said she could not help but compare applying to college, when she was accepted at North Carolina before Thanksgiving, to the stream of law-school rejections she received, including some from places she had thought of as safety schools.

Some juniors here said they were already preparing themselves for similar experiences next year.

"When we were going into school, there was a lot of energy and enthusiasm to go get your four years of education and then get a job," said Matt Tepper, North Carolina's student body president, who will remain on campus for both sessions of summer school after struggling to find a paid internship. "Now it seems like everybody is going to law school."

Photographs by M. J. Sharp for The New York Times

"We just have to hold on with our fingertips for a few years," said Morgan Bushey, above, of the University of North Carolina. Stephanie L. Scott, below, will be in Louisiana for Teach for America.

The New York Times
Money&Business
Sunday, January 19, 2003

A Sinking Feeling At the Register

Lower Prices Are Disrupting Many Industries

Bloomberg News

Bloomberg News

Associated Press

Clearance sales, 99-cent Whoppers and falling car prices are some of the signs of a growing threat of deflation. The reasons include cheaper imports, a rise in productivity and the 1990's bubble that left many companies with excess goods.

By DAVID LEONHARDT

ONE year ago, a 50-inch Hitachi television cost $1,400 at Circuit City. It costs $1,000 today.

Five years ago, automakers charged $25,500 for the average new vehicle. They charge about $24,500 today.

A decade ago, a round trip on Delta Air Lines between New York and San Francisco cost $388 — and it was part of a sale. Delta now sells the same advance-purchase ticket for $317.

Most stunning is the price path of Burger King's Whopper sandwich, which cost about $1.40 some 20 years ago, when the Dow Jones industrial average hovered around 1,000 and hourly wages were about one-half their current level. This weekend, a Whopper sells for 99 cents.

Deflation, a sustained decline in prices across the economy, remains merely a threat, with overall prices still rising mildly. For some of the nation's largest industries, though, falling prices are a reality. The costs of cars, clothing, electronics, furniture, jewelry, kitchen equipment and toys — indeed, of most manufactured goods — have been dropping for more than a year, causing turmoil for companies and their workers.

Although airlines and fast food are among the only industries in the service sector to be suffering through declines, overall service prices are rising more slowly than they were two years ago, according to figures released last week.

"More goods are chasing less money," said Arthur J. Rolnick, research director at the Federal Reserve Bank of Minneapolis, "instead of more money chasing fewer goods."

Worried about falling prices, the Fed lowered its benchmark interest rate again late

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less one. Almost 200,000 jobs were eliminated across the country in November and December.

The squeeze has also cost some chief executives their jobs, like Jack M. Greenberg of **McDonald's,** who resigned last month, shortly before the company announced its first quarterly loss since going public 38 years ago. Other companies, including airlines, automotive suppliers and, last week, **FAO,** the toy retailer, have filed for bankruptcy protection.

The biggest culprit is the 1990's bubble that left many industries with more goods than they could profitably sell and more capacity than they could use. But the surge of imports from low-cost countries like China, the rise in American productivity and the continuing trend toward deregulation and market-determined prices are all playing roles.

FACED with stagnant revenue, many companies are aggravating their industries' troubles by further reducing prices to grab pieces of a shrinking pie.

The weak economic growth of the last year has caused poultry prices, for example, to drop about 1 percent. **Tyson Foods,** the world's biggest seller of chicken, has responded by offering more promotions to supermarkets, said John Tyson, the chief executive.

General Motors, the first automaker to offer zero percent financing after Sept. 11, 2001, expanded its incentives last month to match the deals offered by **Ford Motor,** after G.M. had cut them back in November.

"We go to zero percent, 36 months, then the guys who were griping about incentives go to 60 months," Rick Wagoner, G.M.'s chief executive, said in an interview, referring to competitors. "And guess what? They get big market share, and we don't."

Now "they're going to have to fight toe to toe," Mr. Wagoner said.

Even some products in great demand have become less expensive, as retailers use them to woo customers. Although Chicken Dance Elmo, a doll based on a "Sesame Street" character, is dancing its way off shelves, **Wal-Mart** and **Target** still cut its price to $15, from the list price of $20, said Jim Silver, the publisher of The Toy Book, which covers the industry. Other sellers followed quickly, contributing to a 30 percent decline in overall toy prices since 1996.

Across the economy, inflation is running at an annual rate of about 1 percent or 2 percent, depending on the government measure. With the economy still weak, many economists and policy makers worry that a deflationary trap similar to Japan's is now possible, if unlikely.

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"There are some well-founded reasons to presume that deflation is more of a threat to economic growth than is inflation," Alan Greenspan, the Federal Reserve chairman, said recently. But, he added, "the United States is nowhere close to sliding into a pernicious deflation."

So long as an economy's demand for goods remains much below its capacity to produce them, inflation tends to decline, and the continuing job cuts suggest that the American economy is still operating well below capacity. If low inflation turns into deflation, unemployment can spike, one goods than they could profitably sell and more capacity than they could use. But the surge of imports from low-cost countries like China, the rise in American productivity and the continuing trend toward deregulation and market-determined prices are all playing roles.

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So long as an economy's demand for goods remains much below its capacity to produce them, inflation tends to decline, and the continuing job cuts suggest that the American economy is still operating well below capacity. If low inflation turns into deflation, unemployment can spike, one another, as well as with thousands of new outlets of Starbucks, Subway and other chains that have lured customers more successfully than the burger chains.

In response, McDonald's and Burger King have waged price wars, of which the current 99-cent Whopper sale is a part. Wendy's rarely offers discounts, but its president, Thomas J. Mueller, said, "We pride ourselves on not increasing our prices."

Manufacturers also face new competition from overseas because many foreign companies are attracted to the American market, which they consider the world's healthiest. Since 1995, in fact, the United States has accounted for almost two-thirds of global economic growth, Morgan Stanley says.

In the auto industry, **Honda** and **Toyota** began making hundreds of thousands of sport utility vehicles every year. **Hyundai** captured parts of the low end of the vehicle market. **Volkswagen** increased its sales here.

To keep factories running and high fixed costs covered, American companies fought back by offering incentives and markdowns. Today, those discounts are equal to $3,100 a vehicle, twice the level of two years ago, according to Autodata, a research company. A family making the median income now must use about 20 weeks of pay for a new vehicle, compared with 29 weeks in 1996, according to Comerica Bank.

"The competition has basically turned the industry into an unprofitable one," said David E. Cole, president of the Center for Automotive Research, a consulting firm in Ann Arbor, Mich. "The business model is broken."

The shakeout is beginning. **Fiat** the Italian car company, is struggling to stay in business. Ford is planning to cut billions of dollars in expenses this year.

"It's not a very pretty process," Mr. Cole said. "And it's not over."

But globalization's contribution to price pressure can also come wrapped in an American company's label. Since the double-digit inflation of 25 years ago, Mexico, China and other low-cost countries have greatly increased their manufacturing bases. The strong dollar of recent years — another reflection of the American economy's primacy, even in a slowdown — has made imports even less expensive.

Imports have helped prices fall 12 percent for men's pants since 1989 and 10 percent for women's suits, the Labor Department calculates. Furniture prices are down 4 percent.

Ethan Allen, a chain of 315 furniture stores, made nearly all its products in the United States in the early 1990's; now the portion has fallen to 80 percent. Some of its most expensive products, like a $3,000 bed, are made in factories in China and the Philippines that have become much more efficient in recent years, said M. Farooq Kathwari, Ethan Allen's chief executive.

"That has put a tremendous amount of pressure on prices," said

> While deflation is still unlikely, it is difficult to stop once it starts.

Mr. Kathwari, who announced some price cuts late last year. "In the next year or couple of years, I don't see much chance of increasing prices."

Since 2000, Ethan Allen, based in Danbury, Conn., has also cut its work force about 5 percent, to 10,000, while its sales have risen slightly. It operates 17 factories, compared with 27 a decade ago.

Elsewhere, a slow unwinding of government regulation has laid the groundwork for price declines. The federal government stopped setting airline fares in 1978, for instance, but low-fare airlines have only recently established their presence in almost every region of the country. Their success has kept fares flat since 1990, and it played a crucial role in the bankruptcy filings last year by **United Airlines** and **US Airways.**

The rise in productivity in the last decade has also helped bring down inflation. With new technology and management techniques and an increasingly educated work force, American companies can make more goods than they did in the past while using the same amount of labor. G.M. made a profit in its most recent quarter, despite its discounts, partly by becoming more efficient.

In some previous eras of high productivity, like the late 1800's, inflation and economic growth coexisted as companies and workers split the spoils of their efficiency. The technology sector benefited from a similar virtuous cycle in the 1990's.

Today's wave of price cutting — stemming mainly from economic weakness — continues to bring benefits for consumers, but there is little if any virtuous cycle that for companies caught in its vise.

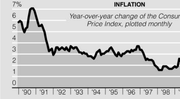

Associated Press

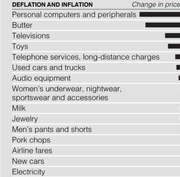
At General Motors, the chief executive, Rick Wagoner, has had to add zero percent financing incentives to match the competition.

Price increases have slowed for most of the service sector, but air fares have decreased. American Airlines recently advertised yet another sale.

Too Tame?

For years, federal officials worked hard to fight inflation, with great success. Now, falling prices are a concern.





Note: Prices are sometimes adjusted to reflect improvements in quality.

Source: Bureau of Labor Statistics

The New York Times

The New York Times
Arts & Leisure
Sunday, July 20, 2003

How Much Did *Your* Seat Cost?

TICKET PRICE
$55.00
SEAT LOCATION
Rear Mezzanine
STRATEGY
Leia DeVita, Greenwich, Conn.: She lost a nightly lottery, run by the show, for $20 seats in the first two orchestra rows. She then bought a rear mezzanine seat at the box office for the list price.

TICKET PRICE
$42.50
SEAT LOCATION
Front Mezzanine
STRATEGY
Monique and Houston Young, Rochester, Mich.: They arrived at the TKTS booth in Times Square at 5:30 p.m. and waited in line 45 minutes. TKTS charges a $3 per ticket service fee.

TICKET PRICE
$55.00
SEAT LOCATION
Orchestra
STRATEGY
Marci Innes, Arroyo Grande, Calif.: She joined entertainment-link.com, an Internet site that charges a $12 annual fee and shipping charges, and bought discounted tickets for her family.

TICKET PRICE
$42.50
SEAT LOCATION
Orchestra
STRATEGY
Vic Johnson and Pattie Adler, Durango, Colo.: "First, we went to the Times Square TKTS, and the line was three days long," Ms. Adler said. So they took the subway downtown and waited just 10 minutes at the city's other TKTS booth, at the South Street Seaport.

TICKET PRICE
$55.00
SEAT LOCATION
Orchestra
STRATEGY
Bobbi Jo Hampton, Richmond, Va.: The staff at the Broadwyn Inn, the small hotel where she and her family were staying, supplied a list of discount codes available for different shows.

TICKET PRICE
$55.00
SEAT LOCATION
Orchestra
STRATEGY
Garry and Debra Rose, Aiken, S.C.: In June they bought seats on Ticketmaster's Web site, which charges an additional $6.25 fee per ticket. The Roses chose "Rent" over "Hairspray" because better seats were available.

A Tuesday crowd at "Rent." The top prices were $85 (orchestra, front mezzanine) and $35 (rear mezzanine).

By DAVID LEONHARDT

As they file into their orchestra seats just before 8 p.m., there is little to suggest that they have not all paid the same price. They are about to watch the same Broadway show, after all, and they will all be sitting in the same theater for the same of the theater.

But tucked in their pockets or folded in their hands, their tickets tell a different story, one that many producers would like to keep somewhat quiet. Sitting just feet from one another, sometimes in the same row, are theatergoers who have paid dizzyingly varied prices for their seats.

Now on Broadway, as on an airplane, the person next to you may have paid half (or twice) what you did.

With the help of the Internet, many people are buying tickets with discounts similar to those at TKTS, but doing so well in advance and avoiding the Times Square booth's famously long lines. Others continue to pay the list price at the box office or slightly more at Telecharge or Ticketmaster. A small number of people are even paying the theater two or three times the normal price to secure prime seats at the last minute, a service that was once available only from scalpers.

This revolution in variable pricing has changed the business of Broadway. Outside of a few well-known discount sources, people long paid the same price for the same seats. But now the purchase of a theater ticket has come to resemble the purchase of an airline ticket. For complete control — the ability to choose your seat and the date you sit there — you will probably pay top dollar. In most other cases, you can make a deal.

From "Take Me Out" to "Aida," the discounting is happening at almost every show but the hottest ones. Even "The Producers," once the epitome of high-cost theater, joined the list

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this month. "For many, many years, the going theory of the old guard was that it would be the death knell of the theater business if you got into deep discounts and variable pricing on any regular basis," said John F. Breglio, a prominent entertainment lawyer at Paul, Weiss, Rifkind, Wharton & Garrison. "That has been eroded dramatically."

In large part, the theater slowdown caused by the Sept. 11 attacks, the Iraq war and the nation's lingering economic funk forced producers to adopt today's variable pricing. Desperate to fill seats, they have begun sending more coupons through regular mail and e-mail and posting more discounts on Broadway Web sites. Each of these offers includes a code — like PRSVM28, which has taken $20 off the price of many tickets to "The Producers" — that people give when buying tickets at the box office, over the phone or online.

Theater fans have responded by listing these discount codes on their own Web sites, allowing others to use the offers without ever having seen the advertisement that was its source.

Telecharge now has about 600 of the codes in its computer system for both the Broadway and Off Broadway. The number of codes "has climbed through the roof in recent years, said Philip J. Smith, president of the Shubert Organization, which owns Telecharge. These discounts have softened the price increases of recent years. While the top ticket price for a Broadway show has risen 31 percent since 1998, the average price actually paid for a ticket in the same period has risen only 24 percent — still well above inflation, though.

A recent performance of "Rent," which has been running at the Nederlander Theater on Broadway for seven years, showed just how widespread the variation has become. Of the more than 500 people sitting in the orchestra, 183 paid the full $85, and 152 paid half that at TKTS, according to the show's box office records. Using other discounts, another 71 paid $40, 5 paid $42.50, 4 paid $50 and 97 paid $35, not including service charges. The 34 people in the first two rows won a nightly lottery to buy those seats for $20. Only a handful of orchestra seats sat empty.

Even with all of the discounts, the performance made about 65 percent of its potential gross that evening, which was — between 50 and 60 percent — commonly needed to break even on Broadway.

"We've really tried to emulate the airlines by actually changing prices to meet demand," said Jeffrey Seller, a producer of "Rent," which has been comparatively open about its bargains. "The moment a performance begins," he said, "that seat is dead."

"It's like fruit," he added. "It's perishable."

More than simply a result of Broadway's desperation, however, the changes reflect a broader cultural acceptance of free-market pricing at a time when they have been made possible by technology and necessary by a weak economy. Only four years ago, amid widespread ridicule, Coca-Cola abandoned a plan for its vending machines to charge more for a soda on hot days. Today the George Washington Bridge and some other roads around the country charge less in the middle of the day than at rush hour. The New York Mets' printed schedule this season looks like a quilt of gold, silver, bronze and orange squares, with tickets for gold games (those against the Yankees, for example) costing much more than those for orange games (like a Tuesday night snoozer against the Pittsburgh Pirates in September).

Amazon.com and other Internet retailers have trained people to scour for deals.

"Only the fool or the extravagantly rich person pays top dollar for everything," Mr. Breglio said. "That affects every segment of the economy."

But as anybody who has ever bought an airline stock knows, businesses that discount widely can also create big problems for themselves. After driving up their list prices during the late 1990's boom, much as Broadway did, the airlines have been losing money for the last two years. Many fliers who paid full fare during good times have since decided to make the effort to find bargains, and the Internet has led them straight to the deals.

On Broadway, discounting appears to have already persuaded some people to stop buying full-price advance tickets, a crucial source of certainty and revenue for shows. After plummeting from 50 percent to 15 percent just after Sept. 11, 2001, the portion of theatergoers who buy tickets at least a month in advance has climbed back to only about 39 percent, said Jed Bernstein, president of the League of American Theaters and Producers, the trade association for the commercial theater industry. Beside ensuring that a show can continue to run months into the future, advance sales allow theater owners to deposit the profits and start collecting interest before they have to pay those performances' costs.

The premium ticket services, which charge two or three times the prices listed beside the box-office window, have also pushed some people toward discounted tickets. By reserving some of the best seats for last-minute buyers, the services — Broadway Direct Circle and a similar one run by Telecharge — have reduced the incentive to buy regularly priced tickets in advance. They have also encouraged wealthy people to see a show immediately, rather than make plans months in advance.

Because of the high price of these tickets, "you may make more money sooner," said a Broadway marketer, who spoke on the condition of anonymity. "But you're not going to build the same audience. It's going to stop the 'Cats'/'Phantom' phenomenon from happening."

No wonder, then, that many producers and theater owners remain skittish about variable pricing. They are careful to keep the discount codes out of advertisements typically seen by full-price buyers, like those in big hotels and in The New York Times, for example.

"If we turn everyone into a discount buyer, then there are no full-price buyers," said Drew Hodges, the creative director of SpotCo, a theater advertising agency, which recently designed the art for "Gypsy." "And that's a problem."

As much of a change as variable pricing may seem to be, it has roots in theater's long ago past. Around 1900, Joseph Leblang, a Hungarian immigrant, began to sell theater tickets from his tobacco shop in the West 30's, and the business eventually became big enough for him to move to the corner of 43rd Street and Broadway. There, he helped stave sickly shows by selling row upon row of discounted seats, becoming a multimillionaire in the process.

In any business, Mr. Leblang said, there must be a market for lesser products. Shortly after his funeral in 1931, at which the mayor spoke, The Times wrote that "he lived to sell tickets for producers who denounced his bargain counters, publicly or privately, as a theatrical evil."

Broadway's complicated relationship with discounting continued through much of the 20th century, with producers alternately condemning and relying on two-for-one bargains known as "twofers" and other cut-rate tickets. Theatergoers complained that the coupons were difficult to locate, but that was precisely the point.

The TKTS booth, which turned 30 years old this summer, helped consolidate the bargains while forcing long waits on customers who were exposed to Times Square's elements, natural and otherwise. In a preview of current pricing strategy, the producers of the play "Equus" in the mid-1970's raised orchestra prices to $15, from $10, when Richard Burton joined the cast, Mr. Smith, the Shubert president, recalled. They left it there even after Mr. Burton departed, figuring people would simply pay $7.50 at TKTS. "It saved the show," Mr. Smith said.

In the 1980's and 90's, producers steadily raised prices and eliminated much of the price variation within a given theater. In the last 50 years, the top ticket price for a Broadway musical has more than doubled, even after being adjusted for inflation. The cost of the worst seats has grown yet faster. In 1953, "Can-Can," "The King and I" and other hits charged about $2 to sit in the balcony, less than one-third the price of the best seats ($7.20) and the equivalent of about $14 today. Balcony seats for the most popular musicals now cost $65, or more than half the top ticket price.

"We as an industry have priced at a level that is just too high for a lot of consumers who would like to go to the theater," said Mr. Seller, the producer of "Rent" and a new show, "Avenue Q."

Enter the new variable pricing. In the ideal case for producers, a hit would offer discounts during previews to help spread the word about the show. But after it had opened officially and its reviews had appeared, it would enjoy a few years with little discounting and would turn over as many as 200 seats a night to one of the premium services. That's how "Hairspray," winner of this year's Tony Award for best musical, reported revenue above the show's official potential in some recent weeks.

"We're going back to having a price range," Adrian Bryan-Brown, a partner in a theatrical publicity company, said. "It just may not be as overt or visible."

But the effect is nonetheless clear: producers are setting prices to acknowledge that more people want to see, say, "Long Day's Journey Into Night" on a Saturday than "Cabaret" on a Tuesday. The audiences for "Long Day's Journey" will therefore be filled with people paying the full orchestra price of $101.25, which includes a $1.25 fee imposed by the theater. Some will have paid $151.25 through Telecharge's premium program. Nine blocks to the north, many people watching yesterday's pop stars perform "Cabaret" will have paid as little as $39 for tickets with a list price more than twice as high.

Alan Wasser, the general manager of "The Phantom of the Opera," estimated that shows spent from one-quarter to one-third of their advertising budgets on direct mail, the Internet and coupons, up from almost nothing 25 years ago. E-mail lists collected by Playbill.com and other theater Web sites also allow production to reach people for much less money than mail campaigns, whose fliers cost about 40 cents apiece.

The Internet is one reason that many Broadway insiders expect the diversity of prices to continue flowering, even if it never achieves the complexity of the airline industry's system. With the help of the marketing director that almost every show now employs, producers may set up an e-mail version of TKTS, sending out last-minute announcements about seats available on the afternoon of a performance. They also might follow Amazon's lead by making suggestions based on a theatergoer's previous purchases.

"We as an industry are far from maximizing the potential here," said Mr. Bernstein, the theater league president.

On the high end of the spectrum, Joe Farrell, Inner Circle's chief executive, said he hoped in the future to imitate sports stadiums by creating separate areas for premium buyers, though the landmark status of Broadway theaters would make renovations difficult.

On the other end, more theatergoers over time will become aware of sites like BroadwayBox.com, one of the places where fans post discount codes. Once ticket buyers pay $55 to buy orchestra seats two months in advance, they are likely to think twice before ever paying full price again. They also might be more likely to attend more plays. The tug of war between those two reactions will determine whether Broadway will ultimately rue or celebrate the rise of variable pricing.

I Can Get It for You Wholesale

Broadway's hottest shows do little discounting . . .

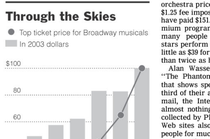
Show	Average Price*	Top Weekend Box Office Price
"Hairspray"	$85.99	$100
"Long Day's Journey Into Night"	88.61	100
"Nine"	90.01	100
. . . but most shows offer widespread discounts.		
"Aida"	50.38	90
"Cabaret"	44.33	95
"Enchanted April"	35.17	80
"The Phantom of the Opera"	47.79	100
"Say Goodnight Gracie"	38.06	70

* All tickets sold, week of June 30 - July 6

Source: Variety

Through the Skies

Top ticket price for Broadway musicals
In 2003 dollars



Sources: Variety; Bureau of Labor Statistics

The New York Times

Seven Avenues to a Ticket

Seven ways to buy a Broadway ticket in the age of variable pricing.

STARTING OUT An excellent place to begin is BroadwayBox.com. Dan Geisler, a technology executive who lives in Tel Aviv, created the site two years ago after finding a half-price coupon to "The Music Man" at his in-laws' house in New Jersey just a few hours after he had seen the show with full-price tickets. "I was fairly upset," Mr. Geisler recalled, "and said something had to be done."

The site collects discount codes that its users find on posters, mail fliers and other Web sites. It then lists the codes show by show, allowing people to determine whether something they want to see has bargains available. The listing typically includes a phone number or a link to another Web site where the tickets can be bought. Mr. Geisler finances the site himself, and it neither sells tickets nor collects any revenue, he said.

You can also take the discount code straight to the box office, but the ticket agents might grumble at you for using a discount code from a second-rate source. They are unlikely to turn you away, however.

FARTHER AFIELD The Frugal Theater Goer's Guide to Discount Tickets (home.nyc.rr.com/frugaltheatergoer/) is also helpful. It contains dozens of links to discount sites, including many that producers and theaters have set up. A number of these contain only a partial list of current bargains, though.

FOR THEATER DEVOTEES Regular Broadway patrons would benefit by signing up for e-mail lists on some of the official sites. Producers often buy access to these lists to advertise discounts, giving subscribers a head start on people who check only BroadwayBox.com or other unofficial sites. Playbill.com, NYTimes.com, Theatermania.com and Ticketmaster.com, among others, operate lists, which can all be linked to through the Frugal Theater Goer's site.

IF YOU QUALIFY The Theater Development Fund, a nonprofit group, maintains a mailing list for students, teachers, union members, those 62 and older and employees of nonprofit groups, among others. For $22.50 a year, they receive the right to buy tickets for less than $30 to some shows. Applications are available at www.tdf.org.

SAME-DAY DISCOUNTS The Theater Development Fund also runs the city's two TKTS booths, one at 47th Street and Broadway and the other at the South Street Seaport, at the corner of Front and John Streets, Lower Manhattan. They both sell tickets at 25 percent or 50 percent off list price, plus a $3 service charge. In Times Square, tickets are available for performances on that day only. The downtown booth also sells tickets for matinees the next day.

Many of the shows available at TKTS also have bargains listed on the Internet. For an extra $10 or so a ticket, and sometimes for no additional money, you can avoid the TKTS wait by buying online. But shows that fall somewhere between the serial discounters and the biggest hits sometimes have tickets available at TKTS while few if any discounts are circulating on the Web. "Gypsy," "Mornin' Out" and "Urinetown" have fallen into this category recently.

A tip: go downtown if you can. If you join the line when the booth opens at 11 a.m., you will usually wait about 45 minutes, said Victoria Bailey, executive director of the development fund. If you arrive in Times Square at 3 p.m., when that TKTS outlet opens, expect to wait almost two hours.

THE STANDARD WAY Visit a box office; call Telecharge, (212) 239-6200 in New York, (800) 432-7250 elsewhere, or visit www.telecharge.com; or call Ticketmaster, (212) 307-7171 in New York, or visit www.ticketmaster.com. You will pay a service charge, often about $6, on every ticket you buy from Telecharge or Ticketmaster.

IF MONEY IS NO OBJECT Since 2001, Broadway has been competing with scalpers by reserving some tickets to popular shows until almost the last minute and then selling them for higher prices, often $150 or $200. Broadway Inner Circle, (866) 847-8587, or www.broadwayinnercircle.com, and Telecharge both sell these seats.

DAVID LEONHARDT

SportsWednesday

The New York Times

WEDNESDAY, JULY 30, 2003

Caution Is Costly, Scholars Say

Strategy Often Defies Good Sense

By DAVID LEONHARDT

The ball shot down the left-field line, and the Yankees' speedy second baseman, who had singled in the inning, raced toward third base. With two outs in the eighth, the Yankees down by 3-2 and the ball caroming off the outfield wall, the third-base coach faced a decision on which the season would turn: should the runner try for home?

Then the professor stopped the VCR.

This has become an annual ritual in a graduate school class at the University of Chicago taught by Richard Thaler, an economist widely considered to be a serious candidate for a Nobel Prize. Thaler plays a videotape of Game 2 of the 1980 American League Championship Series, stops it during the crucial sequence and asks the students to weigh all the information before making their own decision.

Be it at Chicago, Duke, Harvard or the University of California at Berkeley, some of the nation's top economists, psychologists and statisticians are coming to see sports as a subject that requires their attention. Trying to understand human decision-making, they are writing papers about such choices as when to punt, or when to take out a basketball player in foul trouble. About 25 of them gathered in the spring for a two-day academic conference in Arizona, where they went to a spring training game once their work was done.

Their research is quickly leading to a theory that will resonate with any fans who have ever screamed for their team to go for it on fourth down: the professors say that managers, coaches and players are often far too cautious for their own good.

"Teams are averse to going for all or none," said Steven J. Sherman, a psychology professor at Indiana Uni-

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Agence France-Presse

Intentionally walking Barry Bonds can lead to more runs than allowing him to hit, statistics show.

Caution Is Costly, Scholars Say

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versity, who came up with the idea for the conference with Thaler when they were having dinner in an Afghan restaurant in Chicago last year. "Teams don't want to do something that puts the game on the line right now."

They intentionally walk Barry Bonds even though statistics offer a clear argument for pitching to him. Giving him an automatic place on first base usually leads to more runs in the inning than one of his at-bats does.

Behind by 2 at the end of a basketball game and playing a superior team, coaches generally do not attempt a 3-point shot. Yet that shot often offers a better chance of winning than the combined odds of making a 2-pointer at the buzzer, then winning in overtime.

In football, unless the head coach of the team on offense is named Bill Parcells, fourth down almost invariably leads to the appearance of a kicker. But having studied about 700 N.F.L. games, David Romer, an economist at Berkeley, argues that teams would fare better by going for first down far more often than they do.

Much of the professors' interest in these question stems from the simple fact that they are sports fans. Romer began his research after his skepticism had been piqued one Sunday afternoon while he was driving to Home Depot and listening to a Raiders announcer expound upon the obvious virtues of the field goal. At the conference in Arizona, Bill James, a baseball writer recently hired by the Boston Red Sox as a consultant, was a bigger attraction than any of the intellectual stars in attendance, a few professors said.

"All of the academics in the room were jealous of Bill James," said Thaler, an energetic man who is quick to make self-deprecating jokes. "He had the job they really want: adviser to the Red Sox."

Sporting events allow researchers to see when decisions go awry.

But there is also a more serious undercurrent to the work. In recent years, economists and psychologists have become increasingly interested in the ways that people do not act rationally. Known as behavioral economics, the field examines why stock-market bubbles happen and why many people do not save enough money for retirement, among other things.

Sporting events, which are played out step by step in the most public of settings, allow the researchers to determine the precise moment that somebody veers from good sense.

"My justification for doing this is that it's the one really high-stakes activity where you get to watch all of the decisions," Thaler said. "If Bill Gates invited me to watch all of his decisions, I'd talk more about that."

The professors say that coaches and managers often go awry when faced with a decision involving an obvious, yet ultimately sensible, risk. They seem to focus too much on the worst-case scenario: the Bonds home run, the game-ending brick, the failed fourth down. Travelers who drive hundreds of miles because they are afraid of a plane crash make the same mistake.

In the most recent Super Bowl, the Oakland Raiders' coaching staff sent in the punting unit when faced with fourth-and-4 on the Buccaneers' 45-yard line during the first quarter. Going for the first down, after all, would have risked giving the Tampa Bay Buccaneers excellent field position.

That decision may indeed have been the correct one, given the strength of Tampa Bay's defense, but punting on fourth-and-4 from just past midfield, which teams do, is usually a mistake, according to Romer's research. The chance to keep a drive going when a team is so close to field-goal territory is usually more valuable than the 30 or so yards of field position the team gains by punting.

Or imagine a basketball player who makes about 50 percent of his 2-point shots and 40 percent of his 3-pointers. If his team is down by 2 in the final seconds and he takes the 3-pointer, the team has a 40 percent chance of winning. If the coach instead designs a play that gives him a 2-point shot, the team has only about a 25 percent chance of winning: the 50 percent chance that he will tie the score multiplied by the roughly 50 percent chance that the team will win in overtime.

So far, the professors acknowledge, their work has had little impact. But they have been heartened by the willingness of a few teams, including the Red Sox, the Oakland A's and the Dallas Mavericks, to use statistical analysis in new ways.

"It has to be the case that sound knowledge will win out eventually," Thomas Gilovich, a psychology professor at Cornell, said. "But the path is tortuous and slow."

One big reason is the consequence that can greet a risk gone bad, even a sensible one.

In the spring, after Thaler stopped the videotape on the 1980 Yankees game, his students argued overwhelmingly in favor of sending home the runner, Willie Randolph. Thaler agreed. There were two outs, and the Kansas City Royals' fielders would have to make two excellent throws to get Randolph out at the plate.

Many Yankees fans know how the story ends, however. Mike Ferraro, the third-base coach, waved Randolph home. Willie Wilson of the Royals played the carom in left field cleanly and threw to third baseman George Brett, who relayed the ball perfectly to catcher Darrell Porter.

Randolph was out. The Yankees lost. George Steinbrenner made sure that Ferraro was no longer coaching third base the next season.

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It's a Girl! (Will the Economy Suffer?)

Couples With Boys Are Divorcing Less

By DAVID LEONHARDT

LOOKING for a distraction, the two economists sauntered out of their offices at the University of California at Berkeley last spring and met near the water cooler.

The economists, Gordon B. Dahl and Enrico Moretti, are both experts in a rarefied part of the field known as econometrics. On this day, however, their conversation quickly drifted to a wide-ranging discussion of the reasons for the persistent wage gap between men and women.

Could the problem stretch far beyond the workplace, they wondered, and all the way back to childhood and the ways that parents treat boys and girls? Was it possible that even in the United States, even in 2003, parents favor boys in a way that has lifelong implications?

One way to look for such a preference, they realized, would be to see whether parents of girls divorced more often than parents of boys, as has long been the case in male-centric societies like China. So the two economists scurried back to their respective offices and, over the next three days, did what economists do: plugged reams of data into a computer and ran regressions, statistical speak for the search for patterns.

"We thought, 'There is no way we are going to find something systematic,' " Mr. Moretti said. "The results were shocking."

In every decade since the 1940's, couples with girls indeed divorced more often than those with boys, United States Census Bureau data showed. The effect was not huge — just a few percentage points — but it was unmistakable. It happened in every region of the country. It happened among whites more than blacks and among people with only high school diplomas more than those with college degrees.

Over the last 60 years, parents with an only child that was a girl were 6 percent more likely to split up than parents

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of a single boy. The gap rose to 8 percent for parents of two girls versus those of two boys, 10 percent for families with three children of the same sex and 13 percent for four. Every year, more than 10,000 American divorces appear to stem partly from the number of girls in the family.

Whatever the cause, and there are some prime suspects, the effects are as obvious as they are pernicious. Children from divorced families are twice as likely as other children to drop out of high school, become parents while teenagers or be jobless as young adults, earlier studies show. The new research makes clear that girls are bearing more than their share of these costs.

"I'd rather boys and girls have the same crack at success in life," said Mr. Dahl, an assistant professor at the University of Rochester.

Kevin Rivoli for The New Yo

Gordon B. Dahl, an economist and assistant professor at the University of Rochester who is studying wh parents favor boys, with his wife, Katherine, and their three daughters, Sarah, left, Allison and Natalie.

THE study fits in with a fast-growing interest among economists in how families operate, research that is moving beyond the ways that women's family roles affect their finances to include fathers and children as well.

"This is part of well-known economic imperialism," said Shelly Lundberg, a professor of economics at the University of Washington at Seattle, referring to her field's penchant for sticking its nose into just about every human endeavor. "How families operate and how husbands and wives make decisions has important economic implications."

Taken together, this research strongly suggests that the age-old favoring of boys is not confined to the past or to developing countries like China and India. It is subtle and less widespread than it once was in the United States, but it still gives boys an important leg up.

Parents, and especially fathers, appear to invest more in their families when they include a boy. They put more money into their homes, spending an additional $800 a year on housing, according to a study of families with an only child by Ms. Lundberg and her colleague Elaina Rose, an associate professor of economics.

In addition, fathers increase their workweeks by more than two hours, and their earnings, after the birth of a first, male child. When the first child is a girl, workweeks increase by less than an hour.

The effects go beyond mere dollars and cents. Among unmarried couples, fathers read to baby girls and put them to bed as often as they do for boys. But the fathers feed the boys, change their diapers and play with them more often than they do with baby girls, concluded Ms. Lundberg, Ms. Rose and Sara McLanahan, director of the Center for Research on Child Well-Being at Princeton.

And among unmarried women who had ultrasound scans, those carrying boys were slightly more likely to marry the father than those with girls, a study of California records from the early 90's by Mr. Dahl and Mr. Moretti showed.

By itself, of course, the higher divorce rate among parents of girls does not prove that society prefers baby boys. Mothers might tolerate a difficult marriage if they have sons, thinking that the presence of a father is crucial to the boys.

Or mothers and fathers might both have a slight preference for children of their own sex. Some fathers might spend more time with their family when it includes boys, strengthening the marriage. Other fathers, knowing they are likely to lose a custody battle, might avoid a divorce when it would cost them time with their sons.

But a wide array of findings from family research suggests that these factors alone do not explain the gap.

"The weight of the evidence suggests that parents have a preference for boys," said Mr. Moretti, an assistant professor at the University of California at Los Angeles who, like Mr. Dahl, had been on sabbatical at Berkeley. "The differences are not huge, but they are not trivial."

Researchers also found a Henry VIII-like eagerness for a male heir in many parents. Over the last six decades, 33.7 percent of families whose first four children were girls had a fifth child, while only 31.5 percent of those who start with four boys kept going.

The preference for boys could matter a lot more in the future. Technology already permits parents to choose a baby's sex, and as the cost of the procedure falls, it could create a divisive social issue.

For about $3,000 on top of the usual fee for in vitro fertilization or artificial insemination, the Genetics & IVF Institute in Fairfax, Va., will sort sperm by weight, separating the X chromosomes, which produce girls, from the smaller Y's. When its customers are indeed able to become pregnant, the institute claims a 75 percent success rate for parents who request boys and 90 percent success for those who want girls. Another method boasts a success rate closer to 95 percent for each sex, but it is more controversial because doctors check for gender after in vitro fertilization and discard the embryos of the unwanted sex.

"There is reliable technology for gender selection," said Dr. Norbert Gleicher, chairman of the Centers for Human Reproduction, which has clinics in Chicago and New York. Whether it becomes more popular "will depend to a large degree on the political climate."

President Bush has appointed a committee, led by Dr. Leon R. Kass, to advise him on biotechnology and issues related to the beginning of human life. In an preliminary report it released on Oct. 16, the committee questioned the wisdom of sex selection.

THE research by Mr. Dahl and Mr. Moretti, which was first reported in the online magazine Slate by Steven E. Landsburg, another economist at Rochester, seems to offer a new reason to be squeamish about the process.

If parents, as a group, showed no preference for one gender over another, the new technology would be able to do little more than reallocate boys and girls in society. But if parents favor one sex, then acquire new degrees of control, the delicate balance between boys and girls could easily be upset, researchers say.

Consider what would happen if many parents with two girls opted for sex selection when having a third child, while those with two boys were more likely to leave the gender of their third child to nature. Over decades, the population would slowly become more male.

"This presents enormous ethical and social problems," Mr. Moretti said.

Nobody seems to believe that the United States will end up like China or India, where the combination of ultrasound scans and abortion has created a vast gap between the number of boys and girls being born. The good news for society, researchers say, appears to be that the preference for boys is waning somewhat in the United States.

In the 1940's, for example, couples with an only child who was a girl were 8 percent more likely to get a divorce than those with a boy. In 2000, the gap was just 5 percent.

"Gender is just not what it used to be," said S. Philip Morgan, chairman of the sociology department at Duke University and a fertility expert. Girls now play high school sports about as often as boys, for example, and they enroll in college more often.

In fact, Mr. Morgan, who wrote about the divorce gap in the late 1980's, said he could no longer notice it among the group he studied. But because Mr. Dahl and Mr. Moretti used a larger sample, the Census, he said he did not doubt their findings. The two economists are now presenting the paper at seminars across the country and plan to submit it to a journal next month.

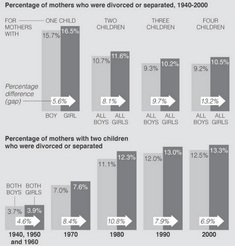
As clear as its results seem to be, Mr. Dahl emphasized that they were not necessarily an indictment of all, or even most, parents' attitudes toward girls: "Remember, the numbers aren't huge. So it doesn't mean this affects the whole population. It might just be a small fraction."

Obviously, that fraction would not include Mr. Dahl, who is the father of three girls.

"I could not imagine it any other way," he said of his family. □

Gender Gap

Since at least 1940, couples with daughters have divorced more often than those with sons. The effect grows as the number of daughters rises. But the gap has narrowed somewhat in recent years.



Note: Data are for all mothers who were ever married between the ages of 18 and 50 with children less than 15 years old living at home; from the 1940 through 2000 Censuses. Figures are rounded.

Sources: Census Bureau data; Gordon B. Dahl (University of Rochester) and Enrico Moretti (University of California at Los Angeles)

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