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Very Rich Are Leaving the Merely Rich Behind

By LOUIS UCHITELLE

A decade into the practice of medicine, still striving to become “a well regarded physician-scientist,” Robert H. Glassman concluded that he was not making enough money. So he answered an ad in the *New England Journal of Medicine* from a business consulting firm hiring doctors.

And today, after moving on to Wall Street as an adviser on medical investments, he is a multimillionaire.

Such routes to great wealth were just opening up to physicians when Dr. Glassman was in school, graduating from Harvard College in 1983 and Harvard Medical School four years later. Hoping to achieve breakthroughs in curing cancer, his spe-

GILDED PAYCHECKS

New Paths to a Windfall

cially, he plunged into research, even dreaming of a Nobel Prize, until Wall Street reordered his life.

Just how far he had come from a doctor’s traditional upper-middle-class expectations struck home at the 20th reunion of his college class. By then he was working for Merrill Lynch and soon would become a managing director of health care investment banking.

“There were doctors at the reunion — very, very smart people,” Dr. Glassman recalled in a recent interview. “They went to the top programs, they remained true to their

ethics and really had very pure goals. And then they went to the 20th-year reunion and saw that somebody else who was 10 times less smart was making much more money.”

The opportunity to become abundantly rich is a recent phenomenon not only in medicine, but in a growing number of other professions and occupations. In each case, the great majority still earn fairly uniform six-figure incomes, usually less than \$400,000 a year, government data show. But starting in the 1990s, a significant number began to earn much more, creating a two-tier income stratum within such occupations.

The divide has emerged as people like Dr. Glassman, who is 45, latched onto opportunities within their fields

Continued on Page A18



Emile Wamsteker for The New York Times

Robert and Denise Glassman with sons Jeremy, 8, at right, and Spencer, 5, at their home in Short Hills, N.J.

that offered significantly higher incomes. Some lawyers and bankers, for example, collect much larger fees than others in their fields for their work on business deals and cases.

Others have moved to different, higher-paying fields — from academia to Wall Street, for example — and a growing number of entrepreneurs have seen windfalls tied largely to expanding financial markets, which draw on capital from around the world. The latter phenomenon has allowed, say, the owner of a small mail-order business to sell his enterprise for tens of millions instead of the hundreds of thousands that such a sale might have brought 15 years ago.

Three decades ago, compensation among occupations differed far less than it does today. That growing difference is diverting people from some critical fields, experts say. The American Bar Foundation, a research group, has found in its surveys, for instance, that fewer law school graduates are going into public-interest law or government jobs and filling all the openings is becoming harder.

Something similar is happening in academia, where newly minted Ph.D.'s migrate from teaching or research to more lucrative fields. Similarly, many business school graduates shun careers as experts in, say, manufacturing or consumer products for much higher pay on Wall Street.

And in medicine, where some specialties now pay far more than others, young doctors often bypass the lower-paying fields. The Medical Group Management Association, for example, says the nation lacks enough doctors in family practice, where the median income last year was \$161,000.

"The bigger the prize, the greater the effort that people are making to get it," said Edward N. Wolff, a New York University economist who studies income and wealth. "That effort is draining people away from more useful work."

What kind of work is most useful is a matter of opinion, of course, but there is no doubt that a new group of the very rich have risen today far above their merely affluent colleagues.

Turning to Philanthropy

One in every 825 households earned at least \$2 million last year, nearly double the percentage in 1989, adjusted for inflation, Mr. Wolff found in an analysis of government data. When it comes to wealth, one in every 325 households had a net worth of \$10 million or more in 2004, the latest year for which data is available, more than four times as many as in 1989.

As some have grown enormously rich, they are turning to philanthropy in a competition that is well beyond the means of their less wealthy peers. "The ones with \$100 million are setting the standard for their own circles, but no longer for me," said Robert Frank, a Cornell University economist who described the early stages of the phenomenon in a 1995 book, "The Winner-Take-All

Society," which he co-authored.

Fighting AIDS and poverty in Africa are favorite causes, and so is financing education, particularly at one's alma mater.

"It is astonishing how many gifts of \$100 million have been made in the last year," said Inge Reichenbach, vice president for development at Yale University, which like other schools tracks the net worth of its alumni and assiduously pursues the richest among them.

Dr. Glassman hopes to enter this circle someday. At 35, he was making \$150,000 in 1996 (about \$190,000 in today's dollars) as a hematology-oncology specialist. That's when, recently married and with virtually no savings, he made the switch that brought him to management consulting.

He won't say just how much he earns now on Wall Street or his current net worth. But compensation experts, among them Johnson Associates, say the annual income of those in his position is easily in the seven figures and net worth often rises to more than \$20 million.

"He is on his way," said Alan Johnson, managing director of the firm, speaking of people on career tracks similar to Dr. Glassman's. "He is destined to riches."

Indeed, doctors have become so interested in the business side of medicine that more than 40 medical schools have added, over the last 20 years, an optional fifth year of schooling for those who want to earn an M.B.A. degree as well as an M.D. Some go directly to Wall Street or into health care management without ever practicing medicine.

"It was not our goal to create masters of the universe," said James Aisner, a spokesman for Harvard Business School, whose joint program with the medical school started last year. "It was to train people to do useful work."

Dr. Glassman still makes hospital rounds two or three days a month, usually on free weekends. Treating patients, he said, is "a wonderful feeling." But he sees his present work as also a valuable aspect of medicine.

One of his tasks is to evaluate the numerous drugs that start-up companies, particularly in biotechnology, are developing. These companies often turn to firms like Merrill Lynch for an investment or to sponsor an initial public stock offering. Dr. Glassman is a critical gatekeeper in this process, evaluating, among other things, whether promising drugs live up to their claims.

What Dr. Glassman represents, along with other very rich people interviewed for this article, is the growing number of Americans who acknowledge that they have accumulated, or soon will, more than enough money to live comfortably, even luxuriously, and also enough so that their children, as adults, will then be free to pursue careers "they have a hunger for," as Dr. Glassman put it, "and not feel a need to do something just to pay the bills."

In an earlier Gilded Age, Andrew Carnegie argued that talented managers who accumulate great wealth were morally obligated to redistribute their wealth through philanthropy. The estate tax and the progressive income tax later took over most of

that function — imposing tax rates of more than 70 percent as recently as 1980 on incomes above a certain level.

Now, with this marginal rate at half that much and the estate tax fading in importance, many of the new rich engage in the conspicuous consumption that their wealth allows. Others, while certainly not stinting on comfort, are embracing philanthropy as an alternative to a life of professional accomplishment.

Bill Gates and Warren Buffett are held up as models, certainly by Dr. Glassman. "They are going to make much greater contributions by having made money and then giving it away than most, almost all, scientists," he said, adding that he is drawn to philanthropy as a means of achieving a meaningful legacy.

"It has to be easier than the chance of becoming a Nobel Prize winner," he said, explaining his decision to give up research, "and I think that goes through the minds of highly educated, high performing individuals."

As Bush administration officials see it — and conservative economists often agree — philanthropy is a better means of redistributing the nation's wealth than higher taxes on the rich. They argue that higher marginal tax rates would discourage entrepreneurship and risk-taking. But some among the newly rich have misgivings.

Mark M. Zandi is one. He was a founder of Economy.com, a forecasting and data gathering service in West Chester, Pa. His net worth vaulted into eight figures with the company's sale last year to Moody's Investor Service.

"Our tax policies should be redesigned through the prism that wealth is being increasingly skewed," Mr. Zandi said, arguing that higher taxes on the rich could help restore a sense of fairness to the system and blunt a backlash from a middle class that feels increasingly squeezed by the costs of health care, higher education, and a secure retirement. The Federal Reserve's Survey of Consumer Finances, a principal government source of income and wealth data, does not single out the occupations and professions generating so much wealth today. But Forbes magazine offers a rough idea in its annual surveys of the richest Americans, those approaching and crossing the billion dollar mark.

Some routes are of long standing. Inheritance plays a role. So do the earnings of Wall Street investment bankers and the super incomes of sports stars and celebrities. All of these routes swell the ranks of the very rich, as they did in 1989.

But among new occupations, the winners include numerous partners in recently

Gilded Paychecks

Articles in this series are examining executive compensation. Previous articles can be found at nytimes.com/business.

formed hedge funds and private equity firms that invest or acquire companies. Real estate developers and lawyers are more in evidence today among the very rich. So are dot-com entrepreneurs as well as scientists who start a company to market an invention or discovery, soon selling it for many millions. And from corporate America come many more chief executives than in the past.

Seventy-five percent of the chief executives in a sample of 100 publicly traded companies had a net worth in 2004 of more than \$25 million mainly from stock and options in the companies they ran, according to a study by Carola Frydman, a finance professor at the Massachusetts Institute of Technology's Sloan School of Management. That was up from 31 percent for the same sample in 1989, adjusted for inflation.

Chief executives were not alone among corporate executives in rising to great wealth. There were similar or even greater increases in the percentage of lower-ranking executives — presidents, executive vice presidents, chief financial officers — also advancing into the \$25 million-plus category.

The growing use of options as a form of pay helps to explain the sharp rise in the number of very wealthy households. But so does the gradual dismantling of the progressive income tax, Ms. Frydman concluded in a recent study.

"Our simulation results suggest that, had taxes been at their low 2000 level throughout the past 60 years, chief executive compensation would have been 35 percent higher during the 1950s and 1960s," she wrote.

Trying Not to Live Ostentatiously

Finally, the owners of a variety of ordinary businesses — a small chain of coffee shops or temporary help agencies, for example — manage to expand these family operations with the help of venture capital and private equity firms, eventually selling them or taking them public in a marketplace that rewards them with huge sums.

John J. Moon, a managing director of Metalmark Capital, a private equity firm, explains how this process works.

"Let's say we buy a small pizza parlor chain from an entrepreneur for \$10 million," said Mr. Moon, who at 39, is already among the very rich. "We make it more efficient, we build it from 10 stores to 100 and we sell it to Domino's for \$50 million."

As a result, not only the entrepreneur gets rich; so do Mr. Moon and his colleagues,

who make money from putting together such deals and from managing the money they raise from wealthy investors who provide much of the capital.

By his own account, Mr. Moon, like Dr. Glassman, came reluctantly to the accumulation of wealth. Having earned a Ph.D. in business economics from Harvard in 1994, he set out to be a professor of finance, landing a job at Dartmouth's Tuck Graduate School of Business, with a starting salary in the low six figures.

To this day, teaching tugs at Mr. Moon, whose parents immigrated to the United States from South Korea. He steals enough time from Metalmark Capital to teach one course in finance each semester at Columbia University's business school. "If Wall Street was not there as an alternative," Mr. Moon said, "I would have gone into academia."

Academia, of course, turned out to be no match for the job offers that came Mr. Moon's way from several Wall Street firms. He joined Goldman Sachs, moved on to Morgan Stanley's private equity operation in 1998 and stayed on when the unit separated from Morgan Stanley in 2004 and became Metalmark Capital.

As his income and net worth grew, the Harvard alumni association made contact and he started to give money, not just to Harvard, but to various causes. His growing charitable activities have brought him a leadership role in Harvard alumni activities, including a seat on the graduate school alumni council.

Still, Mr. Moon tries to live unostentatiously. "The trick is not to want more as your income and wealth grow," he said. "You fly coach and then you fly first class and then it is fractional ownership of a jet and then owning a jet. I still struggle with first class. My partners make fun of me."

His reluctance to show his wealth has a basis in his religion. "My wife and I are committed Presbyterians," he said. "I would like to think that my faith informs my career decisions even more than financial considerations. That is not always easy because money is not unimportant."

It has a momentum of its own. Mr. Moon and his wife, Hee-Jung, who gave up law to raise their two sons, are renovating a newly purchased Park Avenue co-op. "On an absolute scale it is lavish," he said, "but on a relative scale, relative to my peers, it is small."

Behavior is gradually changing in the Glassman household, too. Not that the doctor and his wife, Denise, 41, seem to crave

change. Nothing in his off-the-rack suits, or the cafes and nondescript restaurants that he prefers for interviews, or the family's comparatively modest four-bedroom home in suburban Short Hills, N.J., or their two cars (an Acura S.U.V. and a Honda Accord) suggests that wealth has altered the way the family lives.

But it is opening up "choices," as Mrs. Glassman put it. They enjoy annual ski vacations in Utah now. The Glassmans are shopping for a larger house — not as large as the family could afford, Mrs. Glassman said, but large enough to accommodate a wood-paneled study where her husband could put all his books and his diplomas and "feel that it is his own." Right now, a glassed-in porch, without book shelves, serves as a workplace for both of them.

Starting out, Dr. Glassman's \$150,000 a year was a bit less than that of his wife, then a marketing executive with an M.B.A. from Northwestern. Their plan was for her to stop working once they had children. To build up their income, she encouraged him to set up or join a medical practice to treat patients. Dr. Glassman initially balked, but he was coming to realize that his devotion to research would not necessarily deliver a big scientific payoff.

"I wasn't sure that I was willing to take the risk of spending many years applying for grants and working long hours for the very slim chance of winning at the roulette table and making a significant contribution to the scientific literature," he said.

In this mood, he was drawn to the ad that McKinsey & Company, the giant consulting firm, had placed in the *New England Journal of Medicine*. McKinsey was increasingly working among biomedical and pharmaceutical companies and it needed more physicians on staff as consultants. Dr. Glassman, absorbed in the world of medicine, did not know what McKinsey was. His wife enlightened him. "The way she explained it, McKinsey was like a Massachusetts General Hospital for M.B.A.'s," he said. "It was really prestigious, which I liked, and I heard that it was very intellectually charged."

He soon joined as a consultant, earning a starting salary that was roughly the same as he was earning as a researcher — and soon \$100,000 more. He stayed four years, traveling constantly and during that time the family made the move to Short Hills from rented quarters in Manhattan.

Dr. Glassman migrated to Merrill Lynch in 2001, first in private equity, which he



Michael Nagle for The New York Times

"If Wall Street was not there as an alternative, I would have gone into academia."

JOHN J. MOON

Managing director of a private equity firm, who had intended to become a teacher

found to be more at the forefront of innovation than consulting at McKinsey, and then gradually to investment banking, going full time there in 2004.

Linking Security to Income

Casey McCullar hopes to follow a similar circuit. Now 29, he joined the Marconi Corporation, a big telecommunications company, in 1999 right out of the University of Texas in Dallas, his hometown. Over the next six years he worked up to project manager at \$42,000 a year, becoming quite skilled in electronic mapmaking.

A trip to India for his company introduced him to the wonders of outsourcing and the money he might make as an entrepreneur facilitating the process. As a first step, he applied to the Tuck business school at Dartmouth, got in and quit his Texas job, despite his mother's concern that he was giving up future promotions and very good health insurance, particularly Marconi's dental plan.

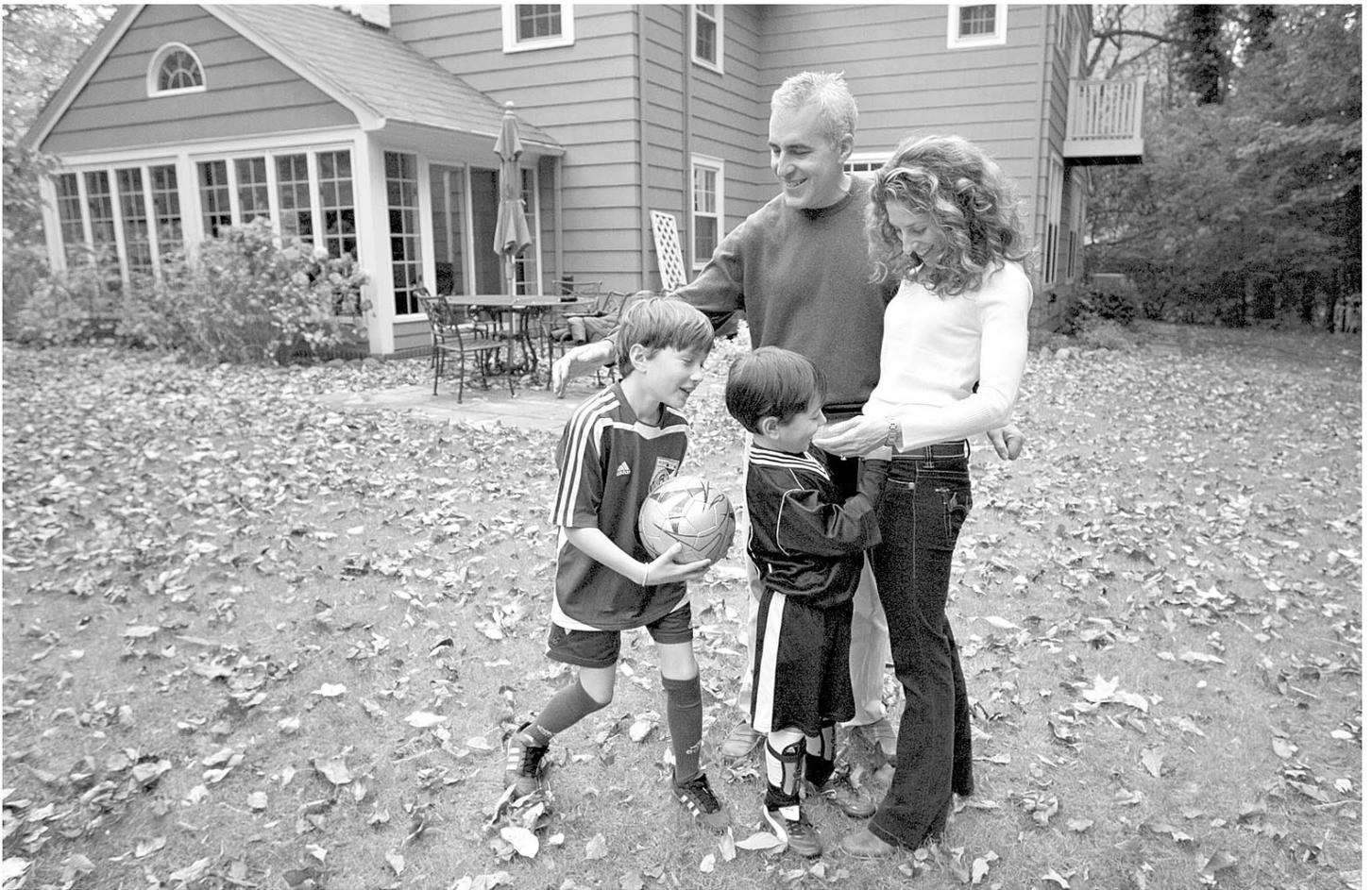
His life at Tuck soon sent him in still an-

other direction. When he graduates next June he will probably go to work for Mercer Management Consulting, he says. Mercer recruited him at a starting salary of \$150,000, including bonus. "If you had told me a couple of years ago that I would be making three times my Marconi salary, I would not have believed you," Mr. McCullar said.

Nearly 70 percent of Tuck's graduates go directly to consulting firms or Wall Street investment houses. He may pursue finance later, Mr. McCullar says, always keeping in mind an entrepreneurial venture that could really leverage his talent.

"When my mom talks of Marconi's dental plan and a safe retirement," he said, "she really means lifestyle security based on job security."

But "for my generation," Mr. McCullar said, "lifestyle security comes from financial independence. I'm doing what I want to do and it just so happens that is where the money is."



Emile Wamsteker for The New York Times

"I wasn't sure that I was willing to take the risk of spending many years applying for grants and working long hours for the very slim chance of winning at the roulette table and making a significant contribution to the scientific literature."

ROBERT H. GLASSMAN

A doctor who left practicing medicine for Wall Street

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Men Not Working, and Not Wanting Just Any Job



Sally Ryan for The New York Times

Alan and Cathleen Beggerow have been scraping by since he lost his job in 2001, and he is not seeking work.

By **LOUIS UCHITELLE**
and **DAVID LEONHARDT**

ROCK FALLS, Ill. — Alan Beggerow has stopped looking for work. Laid off as a steelworker at 48, he taught math for a while at a community college. But when that ended, he could not find a job that, in his view, was neither demeaning nor underpaid.

So instead of heading to work, Mr. Beggerow, now 53, fills his days with diversions: playing the piano, reading histories and biographies, writing unpublished Western potboilers in the Louis L'Amour style — all activities once relegated to spare time. He often stays up late and sleeps until 11 a.m.

"I have come to realize that my free time is worth a lot to me," he said. To make ends meet, he has tapped the equity in his home through a \$30,000 second mortgage, and he is drawing down the family's savings, at the rate of \$7,500 a year.

About \$60,000 is left. His wife's income helps them scrape by. "If things really get tight," Mr. Beggerow said, "I might have to take a low-wage job, but I don't want to do that."

Millions of men like Mr. Beggerow — men in the prime of their lives, between 30 and 55 — have dropped out of regular work. They are turning down jobs they think beneath them or are unable to find work for which they are qualified, even as an expanding economy offers opportunities to work.

About 13 percent of American men in this age group are not working, up from 5 percent in the late 1960's. The difference represents 4 million men who would be working today if the employment rate had remained where it was in the 1950's and 60's.

Most of these missing men are,

THE NEW GENDER DIVIDE

Men, Idle and in Their Prime

like Mr. Beggerow, former blue-collar workers with no more than a high school education. But their ranks are growing at all education and income levels. Refugees of failed Internet businesses have spent years out of work during their 30's, while former managers in their late 40's are trying to stretch severance packages and savings all the way to retirement.

Accumulated savings can make dropping out more affordable at the upper end than it is for Mr. Beggerow, but the dynamic is often the same — the loss of a career and of a sense that one's work is valued.

"These are men forced to compete to get back into the work force, and even then they cannot easily reconstruct what many lost in a former job," said Thomas A. Kochan, a labor

Continued on Page A14

and management expert at the Sloan School of Management at Massachusetts Institute of Technology. "So they stop trying."

Many of these men could find work if they had to, but with lower pay and fewer benefits than they once earned, and they have decided they prefer the alternative. It is a significant cultural shift from three decades ago, when men almost invariably went back into the work force after losing a job and were more often able to find a new one that met their needs.

"To be honest, I'm kind of looking for the home run," said Christopher Priga, who is 54 and has not had steady work since he lost a job with a six-figure income as an electrical engineer at Xerox in 2002. "There's no point in hitting for base hits," he explained. "I've been down the road where I did all the things I was supposed to do, and the end result of that is nil."

Instead, Mr. Priga supports himself by borrowing against the rising value of his Los Angeles home. Other men fall back on wives or family members.

But the fastest growing source of help is a patchwork system of government support, the main one being federal disability insurance, which is financed by Social Security payroll taxes. The disability stipends range up to \$1,000 a month and, after the first two years, Medicare kicks in, giving access to health insurance that for many missing men no longer comes with the low-wage jobs available to them.

No federal entitlement program is growing as quickly, with more than 6.5 million men and women now receiving monthly disability payments, up from 3 million in 1990. About 25 percent of the missing men are collecting this insurance.

The ailments that qualify them are usually real, like back pain, heart trouble or mental illness. But in some cases, the illnesses are not so serious that they would prevent people from working if a well-paying job with benefits were an option.

The disability program, in turn, is an obstacle to working again. Taking a job holds the risk of demonstrating that one can earn a living and is thus no longer entitled to the monthly payments. But staying out of work has consequences. Skills deteriorate, along with the desire for a paying job and the habits that it requires.

Amanda Cox contributed reporting for this article from New York.

The New Gender Divide

Articles in this series are examining what has happened to men and women several decades after the women's movement began.

A taped interview with Alan Beggrow and a state-by-state map showing men's joblessness going back to 1950 are available at nytimes.com/business.

"The longer you stay on disability benefits," said Martin H. Gerry, deputy commissioner for disability and income security at the Social Security Administration, "the longer you're out of the work force, the less likely you are to go back to work."

As a rule, out-of-work men are less educated than the population as a whole. Their numbers have grown sharply among black men and men who live in hard-hit industrial areas like Michigan, West Virginia and upstate New York, as well as those who live in rural states like Mississippi and Oklahoma.

The missing men are also more likely to live alone. Nearly 60 percent are divorced, separated, widowed or never married, up from 50 percent a decade earlier, the Census Bureau reports. Sometimes women who are working throw out men who are not, says Kathryn Edin, a sociologist at the University of Pennsylvania. In any case, without a household to support, there is less pressure to work, and for men who fall behind on support payments, an incentive exists to work off the books — hiding employment — so that wages cannot be garnisheed.

"What happens to a lot of guys who become unmoored from family life, they become unmoored from everything," Ms. Edin said. "They are just living without attachments and by the time they are 40 or 50 years old, the things that kept these men from falling away — family and community life — are gone."

Even as more men are dropping out of the work force, more women are entering it. This change has occurred partly because employment has shrunk in industries where men predominated, like manufacturing, while fields where women are far more common, like teaching, health care and retailing, have grown. Today, about 73 percent of women between 30 and 54 have a job, compared with 45 percent in the mid-1960's, according to an analysis of Census data by researchers at Queens College. Many women without jobs are raising children at home, while men who are out of a job tend to be doing neither family work nor paid work.

Women are also making inroads in fields where they were once excluded — as lawyers and doctors, for example, and on Wall Street. Men still make significantly more money than women, but as women become more educated than men, even more men may end up out of the work force.

At the low end of the spectrum, men emerging from prison with felony records are not easily absorbed into steady employment. Hundreds of thousands of young men were jailed in the 1980's and 1990's, in a surge of convictions for drug-related crimes. As prisoners, they were not counted in the employment data; as ex-prisoners they are. They are now being freed in their 30's and 40's and are struggling to be hired. Roughly two million men in this group have prison records, according to a calculation by Richard Freeman and Harry J. Holzer, labor economists at Harvard and the Urban Institute, respectively. Many of these men do not find work because of their records.

Despite their great numbers, many of the men not working are missing from the nation's best-known statistic on unemployment. The jobless rate is now a low 4.6 per-

cent, yet that number excludes most of the missing men, because they have stopped looking for work and are therefore not considered officially unemployed. That makes the unemployment rate a far less useful measure of the country's well-being than it once was.

Indeed, a larger share of working-age men are not working today than at almost any point in the last half-century, which raises the question of how they will get by as they age. They may be forced back to work after years of absence, they may fall into poverty, or they may be rescued by the government. This same trend is evident in other industrialized countries. In the European Union, 14 percent of men between 25 and 54 were not working last year, up from 7 percent in 1975, according to the Organization for Economic Cooperation and Development. Over the same period in Japan, the proportion of such men rose to 8 percent from 4 percent.

In these countries, too, decently paying blue-collar jobs are disappearing, and as they do men who held them fall back on government benefits for income. But the growth of subsidies through federal and state programs like disability insurance has happened largely without notice in this country while it is a major topic of political debate in Europe.

"We have a de facto welfare system as Europe does," said Teresa Ghilarucci, a labor economist at the University of Notre Dame. "But we are not proud of it, as they are."

Reading, Sleeping, Scraping By

Alan Beggerow has not worked regularly in the five years since the steel mill that employed him for three decades closed. He and his wife, Cathleen, 47, cannot really afford to live without his paycheck. Yet with her sometimes reluctant blessing, Mr. Beggerow persists in constructing a way of life that he finds as satisfying as the work he did only in the last three years of his 30-year career at the mill. The trappings of this new life surround Mr. Beggerow in the cluttered living room of his one-story bungalow-style home in this half-rural, half-industrial prairie town west of Chicago. A bookcase covers an entire wall, and the books that Mr. Beggerow is reading are stacked on a glass coffee table in front of a comfortable sofa where he reads late into the night — consuming two or three books a week — many

more than in his working years.

He also gets more sleep, regularly more than nine hours, a characteristic of men without work. As the months pass, they average almost nine-and-a-half hours a night, about 80 minutes more than working men, according to an analysis of time-use surveys by Harley Frazis and Jay Stewart, economists at the Bureau of Labor Statistics.

Very few of the books Mr. Beggerow reads are novels, and certainly not the escapist Westerns that he himself writes (two in the last five years), his hope being that someday he will interest a publisher and earn some money. His own catholic tastes range over history — currently the Bolshevik revolution and a biography of Charlemagne — as well as music and the origins of Christianity.

He often has strong views about what he has just read, which he expresses in reviews that he posts on Amazon.com: 124 so far, he said.

Always on the coffee table is a thick reference work, "Guide to the Pianist's Repertoire" by Maurice Hinson. Mr. Beggerow is a serious pianist now that he has the time to practice, sometimes two or three hours at a stretch. He does so on an old upright in a corner of the living room, a piano he purchased as a young steelworker, when he first took lessons.

His new life began in the spring of 2001 with the closing of Northwestern Wire and Steel in Sterling, Ill., where he had worked since 1971. During the last three of those 30 years, Mr. Beggerow found himself assigned to work he really liked: as a union representative on union-management teams that assessed every aspect of the plant's operations.

What made him valuable was his dexterity as a writer. No one could put together committee reports as articulately as he did, and he found himself on nearly every team. His salary rose to \$50,000. During those years, he taught himself more math, too, to help in the analyses of the issues that the teams tackled: productivity, safety, plant layout and the like.

"I actually loved that job," he said. "I even looked forward to going to work. The more teams they had, the more they found out what I could do and the more I found out what I could do."

Mr. Beggerow would take another job in a heartbeat, he says, if it were like the work he did in those last three years at Northwestern. The closest he has gotten has been

as an instructor at a community college, teaching plant maintenance and other useful factory skills. His students were from nearby manufacturing companies, which subsidized the courses, including his pay of \$45 an hour. But factory operations in the area are shrinking, and Mr. Beggerow has not had a teaching stint since November.

Like Mr. Beggerow, the great majority of the missing men are out of the work force for months or years at a time rather than drifting in and out of jobs. There appears to have been no rise since the 1960's in the percentage of men out of work for short periods, according to research by Chinhui Juhn, a University of Houston professor, and other economists.

Mr. Beggerow will not take a lesser job, he says, because of his bitter memories of earlier years at Northwestern Wire, particularly the 1980's, when the industry was in turmoil. A powerful man, over 6 feet and 200 pounds, he worked then as a warehouseman.

What got to him was not the work. It was the frequent furloughs, the uncertainty whether he would be recalled, the mandatory overtime and 50-hour weeks often imposed when he did return, the schedules that forced him to work every holiday except Christmas, and then, as rising seniority finally gave him some protection, a six-month strike in 1983 followed by a wage cut. His pay shrank to \$13 an hour from \$17, a loss he did not fully recover until those last three years.

"I was always thinking if there was some way I could get out of this, do something else," Mr. Beggerow said. "What made me so upset was the insecurity of it all and the humiliation. I don't want to take a job that would put me through that again."

Shortly after Northwestern closed, Mr. Beggerow married. It was his third marriage, and also Cathleen's third. He has one adult child by the first wife; Cathleen has no children. For six months they lived on his \$12,000 from a shrunken pension and her \$28,000 as a factory worker — until severe injuries in an auto accident five months after their wedding forced her out of that job. She eventually qualified for \$12,000 a year in disability insurance.

Their two incomes are not enough to cover expenses, which bothers Mrs. Beggerow, although not enough to badger her husband to take a job, any job. She respects him too

much for that, she says.

Instead, she finds ways to make money herself, in activities she enjoys. She is taking in work as a seamstress, baking pastries for parties and selling merchandise for others on eBay, collecting a fee. Still, she says, she hopes to land a part-time clerical job. "The comfort of a paycheck every week would take a load off my mind," she said.

While she is tolerant of her husband's reluctance to work, respecting his current pursuits, she is not above looking for a job he would consider suitable. "I look at the employment ads every day," she said, "and every so often I find one that I think might be right up his alley."

Less Concern About the Future

Recently there was an opening for an editor-writer at a small travel magazine published in a nearby town. "I applied," Mr. Beggerow said, "but the publisher did not seem to want someone my age."

Meanwhile the Beggerows' savings are shrinking. This year, for the first time, they have drawn down so much from their 401(k)'s they have been forced to pay early-withdrawal penalties. But Mr. Beggerow resists being stampeded.

"The future is always a concern, but I no longer allow myself to dwell on it," he said, waving aside, in his new and precarious life, the preparations for retirement and old age that were a feature of his 30 years as a steelworker.

"When you are in the mode of having money coming in," he explained, "naturally you think about planning and saving. And then when you don't have the money coming in, you think less about the future, at least money-wise. It is still a concern, but not a concern that keeps me up at night, not in this life that I am now leading."

Men like Mr. Beggerow, neither working nor looking for a job, also have become more common in the popular culture, making the phenomenon more acceptable. On the television show "Seinfeld," Cosmo Kramer, who did not work, and George Costanza, who regularly lost jobs, were beloved figures. Personal-finance magazines whose circulations have grown rapidly over the last 25 years also encourage not working — by telling readers how to afford retirement at 50 and by painting not working as the

good life, which it apparently is for a small number of wealthy men. About 8 percent of non-working men between 30 and 54 lived in households that had more than \$100,000 of income in 2004.

"Men don't feel a need to be in a career, not as much as they once did," said Ruth Milkman, a sociologist at the University of California at Los Angeles. "Nor do men have the incentive they once had to pursue a career, not when employers are no longer committed to them."

Mr. Priga, the former Xerox engineer who lives in Los Angeles, has been wandering in this latter Diaspora. He is a tall, thin man with a perpetually dour expression. His dress — old jeans and a faded khaki shirt — seemed out of place in the upscale Beverly Hills restaurant where he was interviewed for this article. But his education and skill were not out of place.

Mr. Priga is an electrical engineer skilled in computer technology, and much involved, as he tells the story, in writing early versions of Internet and e-mail software for banks and other companies. A divorce in 1996 left him with custody of his three children. One of them had behavioral problems and to care for the boy he dropped out of steady work for a while, mortgaging his house to raise money and designing Web sites as a freelancer.

He re-entered the work force in 2000, joining Xerox at just over \$100,000 a year as a systems designer for a new project, which did not last. In the aftermath of the dot-com bust, Xerox downsized and Mr. Priga was let go in January 2003.

From Prison to Joblessness

"I've been through a lot of layoffs over the years, and there is a certain procedure you follow," he said. "You contact the headhunters. You go looking for other work. You do all of that, and this time around it didn't work."

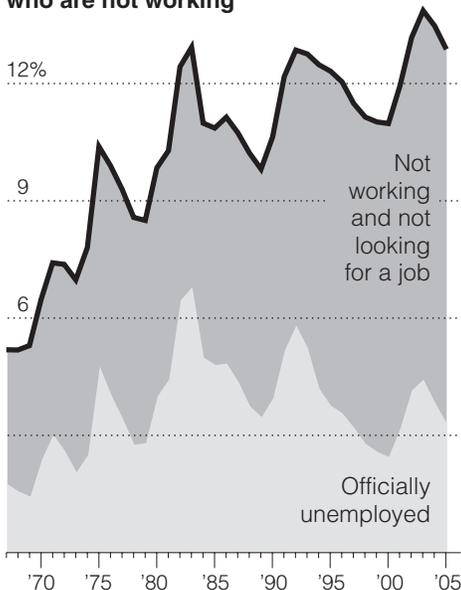
So he went back to designing Web sites as a freelancer, postponing the purchase of health insurance. No work has come his way since March, and even if people had hired him to design Web sites for them, Mr. Priga would not consider that real employment.

His father is his standard. At Mr. Priga's age, 54, "my father was with Rockwell International designing the fiber optic backbone for U.S. Navy ships," he said. "He got a

Stepping Out of the Labor Force

Millions of men in their prime are disappearing from the work force. Today, more than one of every eight men age 30 to 54 does not work. Men not working tend to be less educated than the population as a whole and are less likely to be married.

Percentage of 30- to 54-year-old men who are not working



Who they are

RACE OR ETHNICITY

	Men not working, age 30 to 54	Working men, age 30 to 54
White	61 %	70 %
Black	19	9
Hispanic	14	14

EDUCATION

	Men not working, age 30 to 54	Working men, age 30 to 54
Less than high school	21 %	10 %
High school	41	32
Some college	24	27
4+ years of college	14	32

MARITAL STATUS

	Men not working, age 30 to 54	Working men, age 30 to 54
Married	41 %	70 %
Never been married	22	13
Separated, divorced, widowed	8	9

HOUSEHOLD INCOME, 2004

	Men not working, age 30 to 54	Working men, age 30 to 54
Less than \$25,000	43 %	9 %
\$25,000 to \$50,000	28	22
\$50,000 to \$100,000	21	42
More than \$100,000	8	27

How 25- to 54-year-olds spend their time

Compared with men who work full time, men not working spend about 25 more hours each week watching television and pursuing other leisure and recreational activities.

Average hours per day

		Housework and child care	Watching television	Other leisure and recreation	Sleeping
Not working	MEN	3.3	4.5	3.2	9.3
	WOMEN	6.3	2.9	2.0	9.0
Working full time	MEN	2.3	2.2	2.4	8.0
	WOMEN	3.4	1.7	1.7	8.2

Sources: Labor Department; Jay Stewart, Bureau of Labor Statistics

The New York Times

regular paycheck. He had retirement benefits, medical benefits, all of that. I'm at that age and I don't see that as even possible. I've kind of written off the idea completely. I'm more like a casual laborer."

The Bureau of Labor Statistics determines who is working through a monthly survey of 65,000 representative households. People are asked if they did any work for pay in the week before the survey, including self-employment. For Mr. Beggerow and Mr. Priga, the answer has been no.

The same goes for Rodney Bly, a 41-year-old Philadelphia man struggling with a prison record, although he has had income — from off-the-books work that he refuses to think of as employment.

Mr. Bly, a lanky, neatly dressed six-footer, was in and out of jail, mostly on drug convictions, from 1996 until 2003, but has been clean since then, he said in an interview last month. He has even been a leader of an Alcoholics Anonymous-style group of former addicts who meet regularly and do their best to stay off drugs and out of jail.

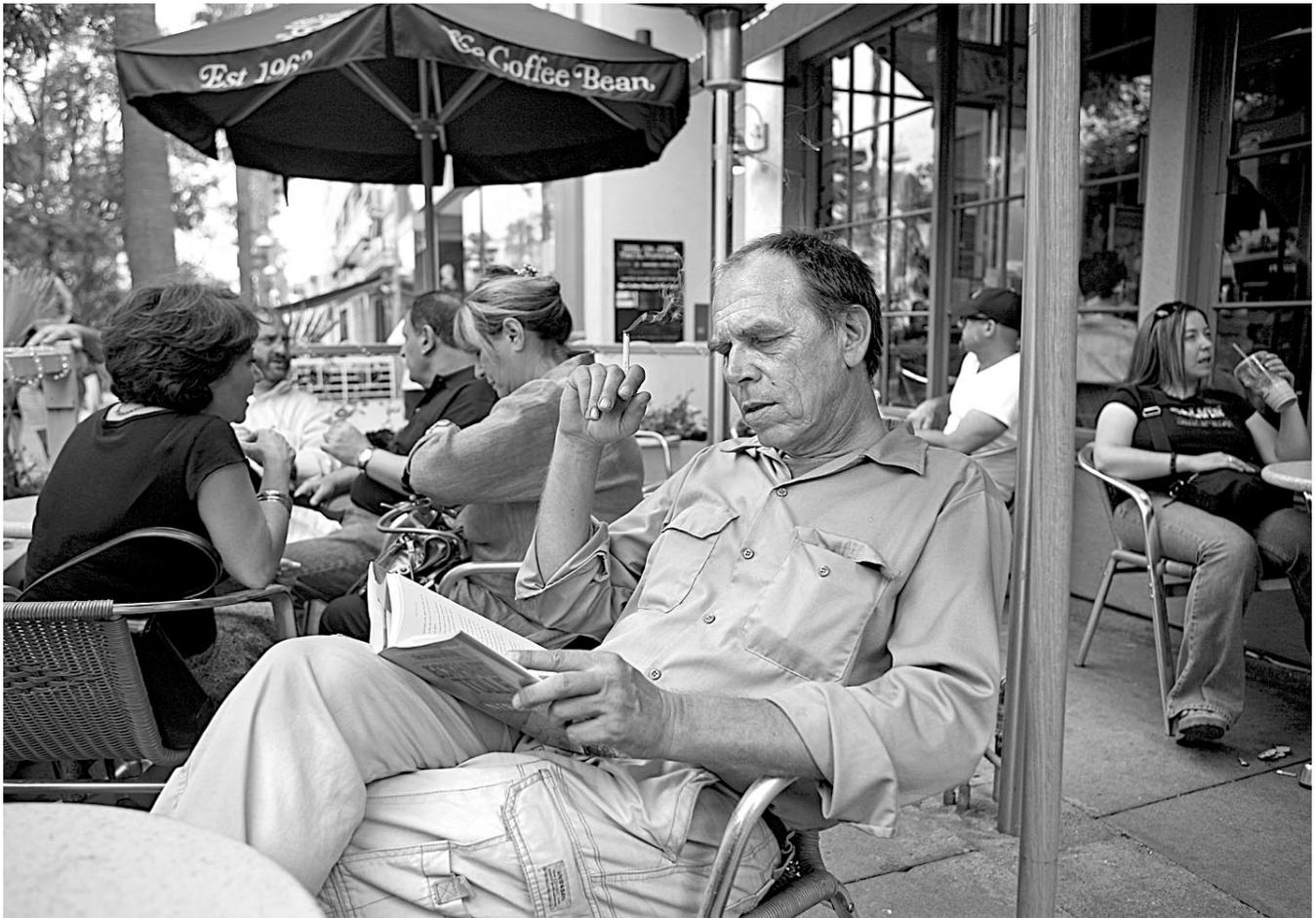
Mr. Bly has been living in a recovery shelter for addicts and shows up occasionally for meals at St. Francis Inn, a soup kitchen and health clinic in a poor North Philadelphia neighborhood that tries to help ex-convicts get work and keep it.

He has worked pretty regularly, distributing flyers. But that brings him only \$270 a week, most of which goes to the shelter for rent, utilities and food. More to the point, the work is off the books, which makes Mr. Bly invisible in the national statistics as a member of the work force.

Still, he has a girlfriend, reports Karen Pushaw, a staff member at St. Francis, "and that grounds him, keeps him looking for legitimate work."

Ms. Pushaw tries to help. At her encouragement, he applied for 25 jobs this spring but received no offers, not even an interview. The obstacle is two felony convictions, one for car theft, the other for three instances of drug possession.

"Because of the two felonies, I can't get a job as a security guard or a sales person or a short-order cook," Mr. Bly said. "I can be a pot washer or a dish washer, but I can't get a job that pays more than \$8 an hour, not a legitimate one. I'm excluded."



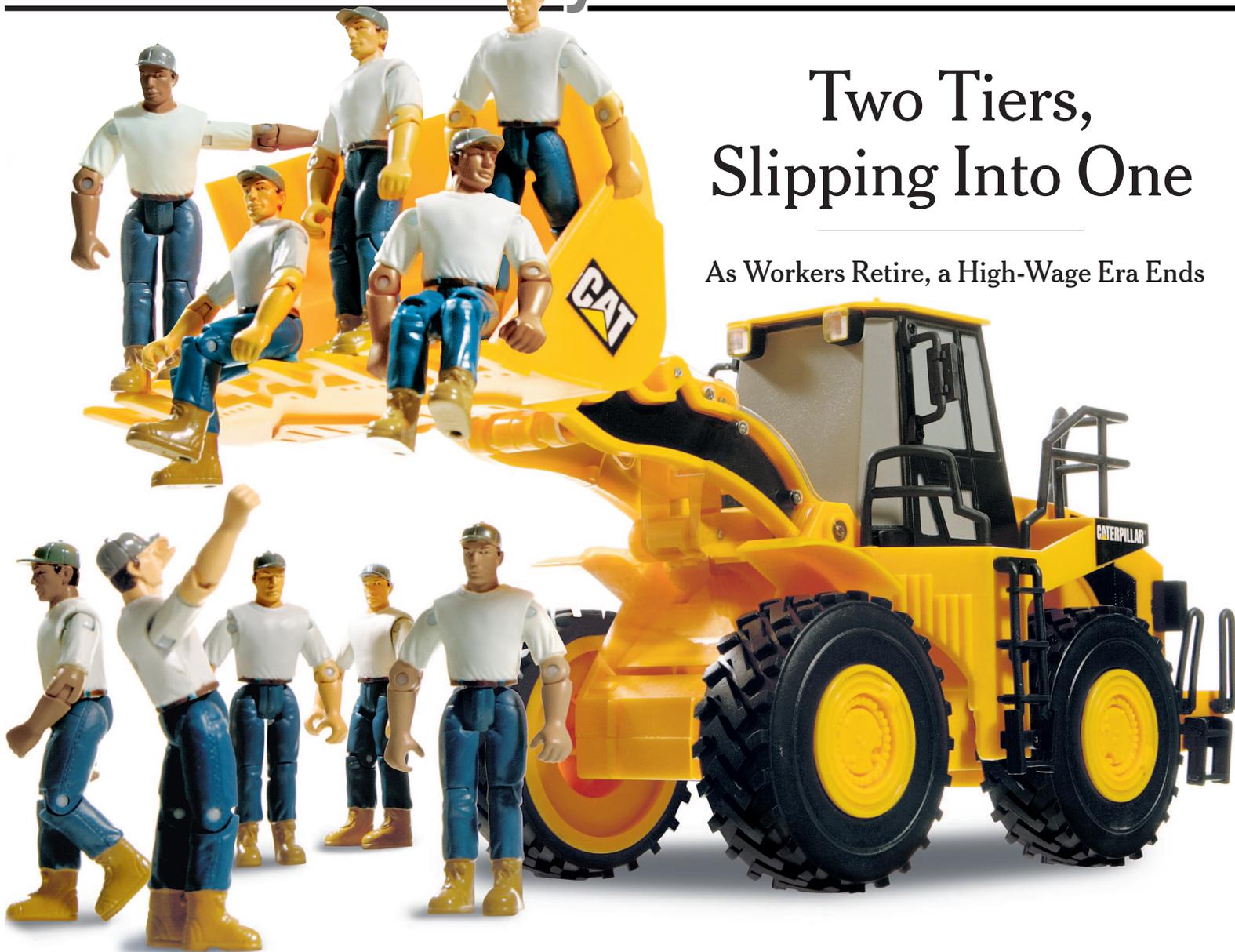
Monica Almeida/The New York Times

FOUR YEARS WITHOUT WORK

Christopher Priga, 54, has not had steady work since he lost a job with a six-figure income as an electrical engineer at Xerox in 2002. He supports himself by borrowing against his home in Los Angeles.

Two Tiers, Slipping Into One

As Workers Retire, a High-Wage Era Ends



By LOUIS UCHITELLE

PEORIA, Ill.

RICK DOTY is a 30-year veteran of Caterpillar, the big tractor and earth-moving equipment manufacturer. He is paid \$23.51 an hour as a machinist, and he receives additional benefits worth almost as much. That sets him far above newly hired workers consigned to a much lower wage scale.

To these fellow workers, Mr. Doty, who is also a local union leader, struggles to justify an inequality that he helped to negotiate.

"I remind them they are making more now than they were before they came to Cat," said Mr. Doty, who spends part of his day at the one-story union hall of United Automobile Workers Local 974 arguing that \$12 to \$13 an hour is good pay here. "And I assure them that five years down the road, when the present contract expires, we in the union are going to improve their lot in life."

That does not seem likely. After more than a decade of failed strikes and job actions — mainly in Illinois, where Caterpillar has its biggest factories — the U.A.W. reluctantly accepted a two-tier contract that provides for significantly lower wages and benefits for newly hired employees. The new second tier is as much as \$20

an hour below the cost of employing Mr. Doty, 50, and a dwindling band of other veterans.

As older workers depart, at Caterpillar and at other companies, the longstanding wage advantage that manufacturing workers enjoy over their counterparts in services or construction is shrinking fast. The trade-off is the promise of a manufacturing revival at long last in the old Rust Belt, as new hires come aboard at much lower labor costs.

"What we've done is reposition ourselves to actually grow employment in our Midwestern plants," said Jim Owens, Caterpillar's chief executive. "We finally have a labor cost that is viable."

Caterpillar is adding a significant chapter to the labor cost-cutting that is widespread in America, particularly at old-line manufacturing companies. Until recently, cutbacks in the wages and benefits of hourly workers were limited mostly to money-losing companies: failing steel mills, for example, and struggling airlines. They have said that their survival was at stake.

Now, however, even healthy and highly profitable companies like Caterpillar are engaging in the practice, and as they do so, the longstanding presumption that factory workers at successful companies can achieve a secure, relatively prosperous middle-class life for them-

Continued on Page 7

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Continued on Page 7

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selves and their families is evaporating.

“Caterpillar is a powerful symbol of this process,” said Harley Shaiken, a labor economist at the University of California, Berkeley. “It dominates its field. It is one of America’s

REWRITING THE SOCIAL CONTRACT

Barriers to Middle-Class Pay

largest exporters, and it is very profitable. If there ever was a company that could bring back the social contract of the mid-20th century, it is Caterpillar. But it chooses not to.”

AS Caterpillar’s managers see it, they have no choice. “There is a balance that must be struck between being competitive and being middle class,” said Douglas R. Oberhelman, a group president. Although Caterpillar’s factories are among the most productive in the world, the managers argue that the company cannot afford to be more generous simply because it is doing well right now.

“You could say that in good times you could afford a different kind of package and in bad times you couldn’t,” said Christopher E. Glynn, the director of corporate labor relations. “The real question is: What’s competitive? And our target is competitiveness.”

The new contract reflects the company’s success in imposing a “market competitive” pay scale; that is, wages and benefits that attract enough qualified workers by being slightly better than the packages offered by others in each community or region where Caterpillar has operations.

In the Midwest market, the competitive wage-and-benefit package is about \$23 an hour, on average, Mr. Glynn says. Caterpillar’s package for new hires in the U.A.W. contract ratified 13 months ago is pegged above that, at \$28 an hour, which includes about \$9 an hour in benefits.

Only the most skilled workers in the new lower tier — electricians and machinists, for example — make more than \$20 an hour, or \$41,000 a year, while in the gradually expiring upper tier, everyone does, even unskilled laborers and shop helpers.

In the new lower tier, such easily replaceable workers will no longer earn more than \$12.50 an hour, or \$26,000 a year. They must work their way up toward middle-class jobs, Mr. Owens argues, shedding the “union mind-set” of annual raises for

doing the same minimally skilled task year after year.

"I want people to have a higher income," Mr. Owens said. "But you do that by starting out maybe driving a forklift or working in a warehouse and then you get new skills. You can learn how to paint. You can learn how to assemble. You can become a welder." Beyond that, he says, talented workers are encouraged to take courses to qualify for promotion to salaried jobs, like supervisor, outside the union.

Going back decades, the hourly wage in manufacturing has been higher, on average, than in nonmanufacturing jobs. Through most of the 1990's, that premium was 10 percent or more, but by last year, it had fallen to just 7.45 percent above the average in other industries, according to an analysis of Bureau of Labor Statistics data by the Economic Policy Institute, a research group based in Washington.

"We are converging in the Midwest on a \$13- to \$18-an-hour wage package and \$9 more for benefits," said Daniel Luria, an economist at the Michigan Manufacturing Technology Center in Ann Arbor. "That is roughly \$25 an hour, and it is down from about \$40."

The trade-off for lower wages, Caterpillar's top executives counter, is more jobs for the region. Three-quarters of the 4,200 hourly workers that Caterpillar added in the United States last year, after the new labor contract was ratified in January, joined factories in Illinois instead of the network of small, low-wage plants that the company has opened in recent years in the South.

This southern network, as well as plants in Mexico, feeds parts and components to the big Illinois factories, where most of Caterpillar's tractors and earth movers, backhoes and excavators, giant off-highway trucks and other heavy equipment are assembled for sale in the United States and, to some degree, for export.

The domestic plants form the hub of what Mr. Owens calls a "globally cost-competitive" system that includes factories elsewhere in the world to serve different markets. A plant in Japan, for example, is producing earth movers for China's expanding mining industry; the next step, Mr. Owens says, is to put a factory in China.

But the company itself, he says,

cannot succeed without the concessionary U.A.W. contract, combined with the network of lower-wage "focus plants" in the Sun Belt and in Mexico.

"It's a beautiful North American equation," Mr. Owens said.

Shane Hillard says he does not think it is so beautiful. He is one of the new Illinois hires, having taken a second-tier job at the big tractor factory here, closing down a small landscaping company to join Caterpillar. In doing so, he lowered his health care costs — he is a diabetic, and Caterpillar's health insurance was less expensive than his own — and he is no longer idle in winter.

"When you get down to it, I earned a little more in landscaping than I am earning now, even after expenses," he said. "But I enjoy structure, and I enjoy my job. I need something to do every day."

By the end of last year, Mr. Hillard, 28, had moved up from welder to machinist — and to a wage of \$18 an hour, \$2 above what the original contract called for. Caterpillar increased the pay scale for those jobs last October, to make sure that it could continue to attract the workers it wanted in the face of higher-wage offers for people with skills in those categories.

Those offers were coming to welders and machinists at a Caterpillar plant in Aurora, Ill., a suburb of Chicago where earth graders for highway construction are made. "We were having difficulty hiring some of the people we wanted," Mr. Owens said. "And our attrition rate was higher than we wanted, so we adjusted the wage to get the people we wanted and retain them."

Mr. Hillard, 160 miles away in Peoria, benefited. But even the \$18 an hour is not enough, he says, to support the four people in his household. He lives with his fiancée, who is going to college and not working, and two children — one each from their previous marriages.

"We don't ever have any extra money to do things," Mr. Hillard said. "I'd like to do normal things that I remember doing as a kid. The family going on vacation, that kind of thing."

WHAT he would like, he said, is the \$23 an hour or so that Mr. Doty and others earn as machinists, doing essentially the same work that Mr. Hillard does.

"I am not upset that they are making more," he said. "I believe they are being paid what they are worth. They are being paid what they need to live the way people ought to live."

His anger — directed at Caterpillar for not sharing more of its soaring profits — has made him an active member of U.A.W. Local 974. If the



Jim Owens, the chief executive of Caterpillar, says that lowering wages has allowed the company to add jobs.



Photographs by Kristen Schmid for The New York Times

Employees at Caterpillar, like these at a factory in East Peoria, Ill., are encouraged to take courses in order to qualify for promotion to salaried jobs.

bottom tier does not rise substantially in the next contract, he says, he will vote against ratification. His superiors in the union are more circumspect, including Mr. Doty, who counts on a rising membership to strengthen the U.A.W.'s bargaining position.

The Illinois hiring over the past year has swollen the U.A.W.'s ranks

to 11,500 of Caterpillar's 41,000 employees in the United States. Local 974 now has 6,000 members, up from 4,500 in 2004, and Mr. Doty, an executive vice president of the local who also works nearby at Caterpillar's diesel engine factory in Mossville, Ill., argues that the greater "union density" will give the U.A.W. more

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 negotiating leverage when its contract expires in 2011.

“We have to get down the road to where we can bargain a better agreement,” he said, “and six years will pass before you know it.”

CATERPILLAR, meanwhile, is prospering. It reported revenue of \$36.34 billion last year, up 20 percent from 2004. That was on top of a 33 percent increase in 2004 from 2003. Net income was up 40 percent last year, to \$2.85 billion; it has nearly tripled since 2003. Tens of millions of dollars have gone into research to develop a great variety of Caterpillar products that sell against those of Komatsu and Volvo, the two biggest foreign competitors.

In the past, such gains would have also translated into higher wages and more generous benefits as contracts were renegotiated every two or three years. But the current, long-term U.A.W. contract at Caterpillar calls for just one general raise: 2 percent in December 2008.

Otherwise, there are some fixed bonuses and modest specified increases every six months as new hires work their way up the wage scale, which starts at \$12 to \$13 an hour for most factory workers and rarely gets to \$20.

Fixed monthly pensions go now only to veteran workers, like Mr. Doty, and job security is effectively canceled for new hires, who must work 12 years without interruption to become immune to layoffs. Mr. Glynn notes that the arrangement gives Caterpillar leeway to shed the new workers when demand turns down for the company’s products.

Workers are asked to shed the ‘union mind-set.’

Employee co-payments for health insurance also rose in the current contract, for retirees as well as for active workers, although not by as much as the company had initially wanted, particularly for the retirees. The union membership voted twice against ratification and then approved the contract, with 59 percent voting in favor, after the company sweetened its health care package for retirees.

Having essentially won against the U.A.W., Caterpillar’s managers are trying to persuade hourly workers to think of the current contract as having only one tier, the lower one, while those in the upper tier should be thought of as older workers whose



Kristen Schmid for The New York Times

Caterpillar is prospering. It reported that its net income last year rose 40 percent from 2004, to \$2.85 billion.

wages were “grandfathered” until they depart. Ultimately, they hope to shift their new workers’ basic loyalty from the union to the company.

“It’s a good term, ‘grandfathered,’ because those folks were preserved at a wage-and-benefits level that was essentially twice the market,” Mr. Glynn said. Already, 50 percent of the upper-tier workers who were around in 2004 have left, through retirement and attrition.

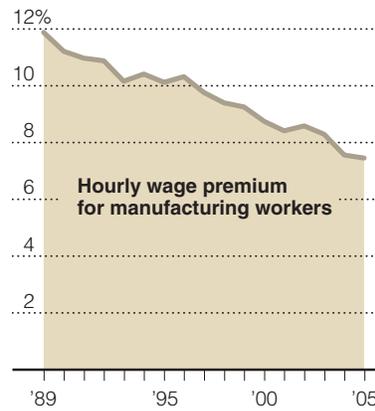
New hires are encouraged to view assembly-line work as short term. The way up from the admittedly meager wage scale is not a better union contract, the message goes, but a promotion — if not within Caterpillar, then at another employer. Driving a forklift or working on an assembly line for 20 years should not be a career goal.

“We talk these things out in round-table discussions with workers on every shift,” said Paul Strang, operations manager for the tractor division in Peoria, where Caterpillar started in 1925, making tractors with tracks instead of wheels.

“People say: ‘My dad hired in at

Vanishing Advantage

The gap between the pay of manufacturing workers and other workers has been narrowing.



Sources: Economic Policy Institute; Bureau of Labor Statistics

The New York Times

\$25 an hour, and I’m at \$12 an hour. Help me understand that.’ And we just talk through that,” Mr. Strang said, adding that “we are compet-

itive; this is a place where people want to work, and there are opportunities for promotion.”

That goal is very much on display at the diesel engine plant in Moxville, which employs 2,400 people, about 25 percent of whom have been on the job less than a year. To make employees feel better, D. Dean Messinger, a plant manager, said, the bathrooms have been modernized and the cafeteria redecorated in a cedar shingle design. More to the point, a learning center recently opened on the factory floor, equipped with 30 computers and staffed with teachers from a nearby community college.

TRAINING in résumé-writing and job interviewing are staples of the eight-week curriculum. For those who want to go on to college, Caterpillar offers to pay up to 90 percent of their tuition costs, as it has done in the past, and career counselors help steer hourly workers toward salaried office jobs.

“Whether people get a promotion or not, they have the opportunity, and that is what matters,” Mr. Messinger said. “The ones who are most aggressive, they go back to school and they can rise.” □

The New York Times

NEW YORK, MONDAY, JANUARY 2, 2006

At 150 Edgars Lane, Changing the Idea of Home

By LOUIS UCHITELLE

HASTINGS-ON-HUDSON, N.Y. — The handsome Tudor-style home at 150 Edgars Lane, built for less than \$10,000 in 1925 on a hillside in this Hudson River town, never seemed to change much through all of its previous owners. Each family updated the house, but in modest ways until Tom and Julie Hirschfeld came along.

The Hirschfelds purchased the two-story house with its gabled roof and stucco-and-wood-beam exterior for \$890,000 in the fall of 2002. Good schools, safe streets, a picturesque community, like-minded neighbors, a relatively short commute to New York — all these drew the family, just as they drew the previous owners.

But as home prices have soared in recent years, houses like this one have become not just nice places to live but remarkably valuable invest-



The Tudor-style house on Edgars Lane, shown in the early 1940's.

ments as well. Responding to this newly embedded wealth, the Hirschfelds, like hundreds of thousands of other families living in suburbs of cities like New York, Chicago and San Francisco, have transformed their homes into something grander and more personal.

Tracing the history of the house at 150 Edgars Lane through the dec-

ades shows how the Hirschfelds have broken with the past — and how the idea of what a house means to a family has changed. Eight different families have lived in this house for at least a year. Most were middle-income earners in their day: a high school principal, a typographer, a civil engineer, a psychiatrist, an environmentalist, small businessmen.

In contrast to the previous owners, the Hirschfelds have poured many thousands of dollars into renovation, making their home more comfortable and well-appointed than the earlier owners considered necessary. And more so than the others, they can certainly afford it.

As the chief operating officer of a hedge fund, Mr. Hirschfeld has plenty of income to sink into renovation without going into debt. The couple has not held back. Lifting the house to their standards has become so im-

Continued on Page A10

portant to them that between the purchase price and the outlays for improvements, Mr. Hirschfeld says, the investment exceeds his home's current market value, estimated at \$1.2 million.

Juliet B. Schor, a Boston College sociologist and the author of "The Overspent American," classifies the burst of spending on home improvement in recent years as "competitive consumption going on in the top 20 percent of the income distribution."

But many home owners, the Hirschfelds among them, insist that quite apart from status and comfort, what was once mainly a dwelling in a compatible suburb now assumes even greater personal importance in an age when families increasingly focus on themselves.

"Community is still very important," said William M. Rohe, director of the Center for Urban and Regional Studies at the University of North Carolina, Chapel Hill. "But homeowners today pay greater attention to the house itself as an expression of themselves and as a haven for family life."

For the Hirschfelds, a spacious new kitchen wing that juts into the backyard of their property embodies their sense of how they want their home to enhance their lives. Finished a year ago, the kitchen has become a gathering place not just for cooking and meals, but for homework, games, art projects, reading and conversation with the Hirschfelds' children, Ben, 12, and Leila, 8.

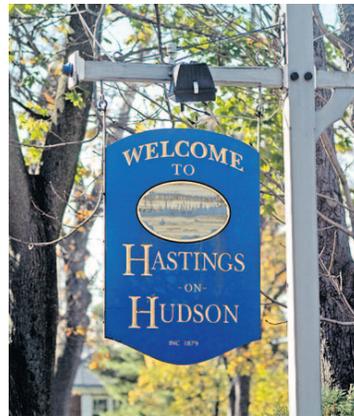
"We didn't build this kitchen for any trophy motivation or to achieve any level of luxury," Mr. Hirschfeld said, pointing out that the appliances, including the refrigerator and stove, are ordinary off-the-floor models, not state-of-the-art extravaganzas. "We did it to make our family life more free-flowing and warm."

The yard was not suitable for the new kitchen wing, however. So a stone retaining wall went up to carve more flat space from the sloping land — unexpectedly adding thousands of dollars to renovation costs.

The Hirschfelds also spent more than planned to reverse the deterioration of their 80-year-old house — one of the tens of thousands built during the nation's first great suburban housing boom, before the Depression.

"We really bought this to be our family home," Mrs. Hirschfeld said, "and we made an error in judgment in not knowing what it would cost to deal with the deterioration." But the basement, she added, which "was wet for 40 years, is no longer wet."

Before the Hirschfelds, each of the previous owners made incremental improvements, spreading renovation over their years in residence rather than bunching it at the beginning. Mostly those earlier owners lived with the house's shortcomings, including the



cramped kitchen, now converted into a mud room.

Wealthy Buyers Move In

The Hirschfelds, in their early 40's, were less constrained by income, an increasingly common characteristic of the households engaged in home improvement. Those with at least \$120,000 in annual income accounted for 32 percent of all the spending on home renovation in 2003, the latest year for which data is available. That is up from 21 percent in 1995, adjusted for inflation, according to the Joint Center for Housing Studies at Harvard. The spending itself reached \$233 billion in 2003, a rise of 52 percent from 1995.

For decades, a home in the suburbs was a family haven for the middle class, "a kind of anchor in the heavy seas of urban life," as Kenneth T. Jackson, a Columbia University historian, put it in his 1985 book "Crabgrass Frontier."

That was true of the owners of 150 Edgars Lane. But with the surge in home prices, the big side yard took on a new dimension as a potentially valuable building plot. It was no longer cherished as the colorful, terraced flower garden nurtured by several former owners and written up admiringly in the local newspaper.

The objections of neighbors stopped the owner of the house in 2001, a woman who had received it in a divorce settlement, from obtaining a zoning variance so that she could split off the old flower garden and sell the property as two lots for more than the \$819,000 that she finally received.

With that sale, the house moved out of the reach of middle-income buyers. The buyer, Matthew Stover, came from Wall Street, and he soon sold the house to Mr. Hirschfeld, also from Wall Street.

Still, the Stovers and the Hirschfelds, like nearly all of the owners before them, came to Hastings from apartments in New York City, choosing the town in part because it offered a demographic mix greater than many other suburbs, as well as neighbors who were often artists, writers and academics.

The intellectual aura was particularly present on Edgars Lane. Margaret Sanger, an early leader of the birth control movement, lived across the street from 150, and Lewis Hine, the famous photographer of in-

dustrial realism, owned the house two doors up. They are long gone, but the Hirschfelds, who received graduate degrees from Oxford after going to college in the United States, are proud of this legacy.

"We really wanted to live in Hastings," Mr. Hirschfeld said.

Suburban Diversity

The homes that made this town a suburb went up in the woody hills above Broadway. Below that dividing street, blue-collar workers, many of them Polish and Italian immigrants, occupied the apartments and row houses near the waterfront, close to the chemical plant and the copper mill that employed them, until the last factory closed in 1975.

The children of those workers went to school with the children in the hills and "there is still a feeling that the diversity continues to exist — more a feeling than a reality," David W. McCullough, a local historian, said.

As a community, Hastings tries to resist the trappings of affluence that are spreading through so many suburbs. The downtown is still a collection of mostly older stores and restaurants — reflecting "a certain pride that we have in the shabbiness," as Mr. McCullough put it.

Very few of the upscale stores and restaurants evident elsewhere have arrived here yet. But almost certainly they will as rising home prices, which limit eligible newcomers to families like the Hirschfelds, gradually squeeze out lower-income families.

The Hirschfelds, adding even greater value to their home, have installed air conditioning, expanded the master bathroom and more than doubled the size of Leila's bedroom, by constructing a second story on top of the kitchen wing. They rebuilt the basement, spending far more than they intended to get rid of mold and wetness, and took down the wall between the living room and the dining room, creating what Mr. Hirschfeld described as "a flowing space so we can have a conversation from the kitchen with

someone who is two rooms away in the living room." New windows are next.

"You can't live in this day and age with drafty windows," Mrs. Hirschfeld said. "Either you pump your furnace for all it's worth all winter, or you have double-glazed windows."

Drafty windows did not bother Ralph Breiling, who designed and built this house in 1925 on land he had purchased three years earlier, spending less than \$10,000 in all, or about \$111,000 adjusted for inflation. Mr. Breiling was an architect, but in the severe recession after World War I, he shifted to teaching school, later rising to assistant principal and then principal of Brooklyn Technical High School.

A group of teachers had purchased land in Hastings, and Mr. Breiling joined them, buying one of the lots.

"He loved the Hudson Valley and when the leaves were off the trees, we had a view of the river and the Palisades," Robert, one of his sons, remembered. For years, "he commuted an hour and a half each way to his job."

When the Breiling family moved to Edgars Lane, the exterior was finished — it looked then much as it looks today — but the interior walls were mostly unfinished plaster. From then on, until he sold the house in 1950, Mr. Breiling renovated, with his own hands.

A Love for the Hudson Valley

He built the one-car garage that is still there, and the room above it, which became a children's playroom. He enclosed a patio, incorporating it into the living room. When his third child, Clover, was born, he expanded a small sewing room into the fourth bedroom, building out over the front door.

"He spread the work out; he could not afford to do it all at once," said Robert Breiling, 83, now a retired engineer. "The Depression hit him hard. The New York City schools cut pay in half. They said they would make it up after the war, which they didn't. My mother started a nursery school in the dining room. She had a bunch of little tables and chairs; made a schoolroom out of it. I thought she liked doing it. But looking back it was for need."

The Breilings' lasting legacy was the garden in the big side yard, which Mr. Breiling's wife, Leila, tended. In a 1933 article on "beautiful gardens of Hastings," the weekly Hastings News had this to say about the Breilings' place: "From the stone retaining

wall along the street with its dense privet hedge up to the children's terrace that now backs against the farm wall on the garden's highest level, one passes, terrace by terrace, through grassy greensward, flowering shrubs, long borders aglow with a hundred blossoms."

From that garden came the holly that Duncan Wilson fashioned into wreaths and sold at Christmas. His parents, Byron and Jane Wilson, purchased 150 Edgars Lane in 1951 for \$25,000, the equivalent of a little less than \$190,000 in today's dollars, moving from a smaller home in nearby Dobbs Ferry when their third child was still young.

"My mother decided that the family needed more space," Duncan Wilson, now 69, recalls.

The Wilsons put energy into maintaining the elaborate garden, but they did little to the house itself. They were square dancers, so they fixed up the basement, refinishing the walls and tiling the floor, Mr. Duncan said. Like the Breilings, they sold the house after their youngest child finished high school, in 1963.

The next four owners either moved on quickly, to new jobs in other cities, or stayed to raise children. The turnover helps to explain why the typical American family owns a home for five or six years, a tenure unchanged going back decades.

Jerome and Carolyn Zinn stayed for eight years, having purchased the house in 1964 from a psychiatrist who lived in it only 18 months. The Zinns paid \$40,000 — roughly \$250,000 adjusted for inflation — coming from a city apartment with eight-week-old twin boys.

"I knew that you raised children in a house," Mrs. Zinn said. "I didn't know anything about Hastings or anyone in the community. We started out looking in Yonkers and we wandered into Hastings and we liked the hilliness and the trees."

Mr. Zinn had started as a linotype operator, and his wife taught school, saving enough from her salary for the \$11,000 down payment. The remaining \$29,000 was the amount still owed on the psychiatrist's mortgage, which the Zinns took over — a common practice in those days. Before coming to Hastings, Mr. Zinn had gone from printer to owner of a small typography shop. It flourished, and in 1982 the Zinns built a bigger home in Irvington, a neighboring town.

"I kept thinking I wanted to do this to the house and that to the house," Mrs. Zinn said, "and then I said, if there are so many things

I want to do we should buy a house, or build one."

In 1974, the Zinns sold 150 Edgars Lane for \$67,500 — adjusted for inflation, not that much more than they had paid — to Gerald Franz, a specialist in environmental issues then employed by the New York City Planning Commission, and his wife, Susan, a public school math teacher. They had been married five years, hoping to have children — they later adopted two daughters — and the purchase price was a stretch for them.

"My expectation was to be married forever and to live there forever," Mrs. Franz said.

What Was Once a Garden

The Zinns agreed to let the Franzes postpone payment for the side yard, and they waited nearly a decade before they purchased that portion of their property for \$17,000. By then, with neither family caring for the garden, it had gone to seed and Mr. Zinn, in any event, was thinking of its value as a building plot. "I had always hoped in the back of my mind to get the variance to build," he said.

Divorce interrupted those plans. Mrs. Franz, who recently remarried and is now Susan Franz Ledley, got the house in the 1996 settlement. By then, it was valued at \$500,000. As a school teacher, she could barely afford the upkeep and in 2001, while her youngest daughter was a high school senior, she sold it for \$819,000 — about \$900,000 in today's dollars — to Mr. Stover, a stock analyst for Citigroup, and his wife, Jeanine.

The Stovers were in their 30's and planning a family, like the Franzes nearly 30 years earlier. Unlike the Franzes, however, and all the other earlier owners, they began to plan renovations, hiring an architect.

"Just as we were starting to get some steam, we were called to Boston," Mr. Stover said. He took a better job in that city.

Now that housing prices are subsidizing, the future monetary payoff from owning 150 Edgars Lane is clouded. But for the Hirschfelds the pleasures of indulging themselves count for more. Julie Hirschfeld points to the new bathroom sinks, for example, which resemble 19th-century wash bowls, and the "ridiculously expensive" border tiles in the master bathroom.

"Once we started," she said, "because we had to do so much, it seemed we should make the choices about how we wanted it to look."

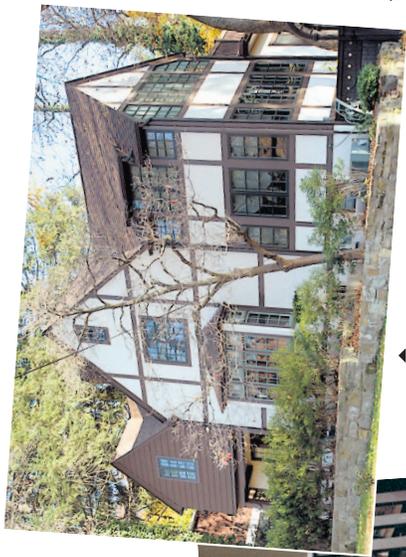


Photographs by Alan Zales for The New York Times

The Hirschfeld family enjoys the expanded kitchen in their home at 150 Edgars Lane in Hastings-on-Hudson, N.Y. Built for less than \$10,000 in 1925, the home is valued at \$1.2 million. A succession of previous owners might not recognize its interior today.



▲ 1940's The house while it was still the property of the original owners and builders, Ralph and Leila Breiling.



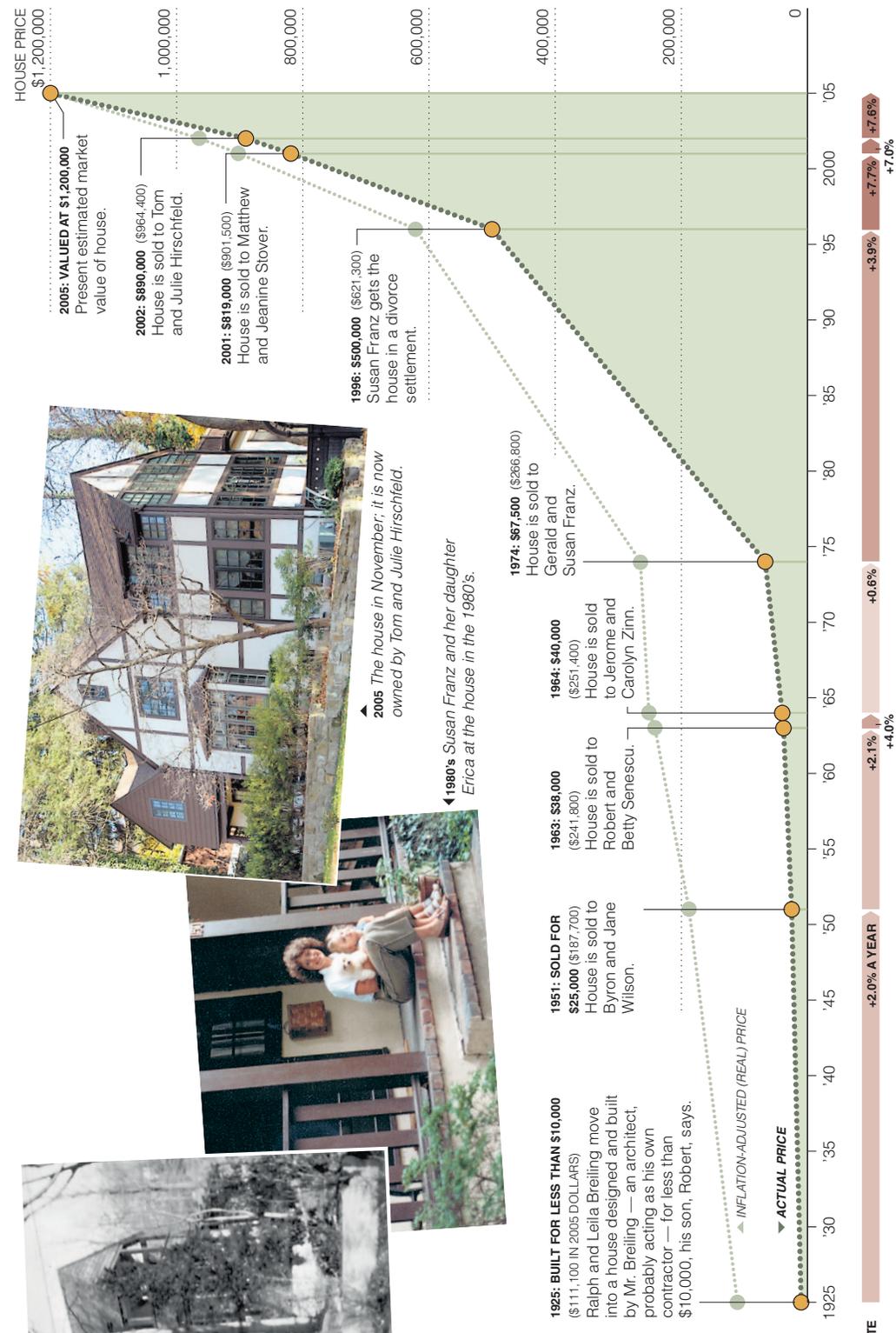
▲ 2005 The house in November; it is now owned by Tom and Julie Hirschfeld.



◀ 1980's Susan Franz and her daughter Erica at the house in the 1980's.

One House, Eight Owners

Built in 1925 by Ralph Breiling, an architect turned public school teacher, the house at 150 Edgars Lane in the New York suburb of Hastings-on-Hudson has gone through significant changes in recent years, reflecting the transformation of many once-ordinary suburban dwellings into grander statements of personal wealth and status. The real estate boom of the late 1990's and early 2000's, concentrated around cities like New York, Chicago and San Francisco, has driven the changes by turning such homes into valuable investments in their own right.



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