Stock dip gives bonds a boost

By JANE BRYANT QUINN

As stocks unraveled from their peaks this year, a modest amount of new money started to flow into bonds.

America’s love affair with stocks hasn’t come to an end—nor should it, for money invested long term. But bonds have uses that many investors haven’t appreciated.

Bonds of high quality keep a portion of your money relatively safe. If you buy individual bonds that you can afford to hold to maturity, you don’t have to worry about whether conditions in the bond market are good or bad. At maturity, you cash the bonds in, get all your money back and decide where to put it next.

Initially, you might buy some short-term bonds (maturing in under two years) and some intermediate-term bonds (maturing in under 10 years). When the short-term bonds mature, replace them with intermediate-term bonds.

Eventually, you’ll have a portfolio of intermediate-term bonds, with some of them maturing every year or two. That gives you safety plus reasonable access to your money, so you won’t have to sell any bonds in advance. When you sell before maturity, you don’t always get a terrific price.

Individual investors generally choose either tax-free municipal bonds (for their potentially taxable money) or Treasuries (for tax-deferred accounts). You might also consider quality corporate bonds for taxable accounts. Blue-chip companies have blue-chip bonds.

Mutual funds invested in bonds rise and fall as the market does. When interest rates fall, the value of shares in bond funds rises. When interest rates rise, the value of bond funds falls.

Bond funds generally don’t rise as much as stock funds do, so your money isn’t as much at risk. When the market falls, the average bond fund usually recovers faster than the average stock fund.

You’ll find bond funds invested in municipal, quality corporates and Treasuries. The two important types are high-yield bonds, issued by companies with lower

RIVER ECONOMICS

Specialists aim to quantify resources

RPI trains students with an eye toward Intelligent development of the Hudson River valley

By Jo-Ann Johnston

Economists say it’s time we started recognizing the costs we all face from lost business opportunities and depleted natural resources. Intelligent development of the Hudson River valley in the future depends on an understanding of environmental economics.

A recent development of environmental economics and ecological economics has emerged to tackle this type of issue. These disciplines take on a fuller view of the world, their practitioners say. Environmental economics tries to quantify resources such as the use of water in generating electricity. Ecological economics tends to assume the stewardship of resources even if their value is intangible or hard to quantify.

"We need a climate, we need water, we need air," explained Jon Erickson, a faculty member at Rensselaer Polytechnic Institute, one of the colleges at the forefront of teaching ecological economics.

An economist with the correct training and background in this specialty could survey the Hudson River and quantify losses of fish as a food source or pinpoint the decrease in open space to poor zoning or highways in land use.

Consider this:

- Pollution in the river means people can’t safely consume much of the fish they catch, and so have had to pay for substitute food sources. On a broader scale, fishing bans wrecked the commercial fishing industry.
- Advocates have said the Hudson, if cleaner, could support 300 families annually from commercial fishing income, said Andy Mele, environmental director of Hudson River Sloop Clearwater Inc. in Poughkeepsie. The state has figured that the economy has lost $40 million (not adjusted for inflation) each year since 1976 from the ban on commercial and sport fishing on the river.
- Someone always foots the bill for sloppy waste disposal into the river, Mele said. Costs shift from the primaries of the waste to the ecosystems, in the form of a disrupted food chain, to neighbors living with the odors or to taxpayers subsidizing waste removal.
- If a riverfront community devotes all of its remaining landscape to commercial development, the intangible pleasures of wilderness are spent. The city of Troy is scrutinizing this issue now, said Joe Farna, staff director of the Troy Waterfront Commission. Developers and industry leaders are considering whether to create a denser, more cohesive industrial zone by relocating some plants to South Troy near the Menands Bridge. The present industrial zone is expansive and actually shows gaps. The effect, Farna said, is that zone is too long and "pockmarks the shore." But grouping industrial buildings in a tighter belt would create more open space.

Please see HUDSON C3
RPI a leader in environmental economics

JESSICA CLARK, left, and Roberta Chase look at zebra mussels along the Hudson River in Troy as part of their studies at Rensselaer Polytechnic Institute. The college helps train future environmental economists.

"We're training problem-solvers," RPI's Erickson said.

"Anywhere you look you'll find applications for this field of study," agreed Nathanael Greene, an energy policy analyst in New York City for the Natural Resources Defense Council. Factories increasingly want people who can help them figure out how to reduce their waste streams or recycle materials, he said.

And public policy-makers at all levels want more meaningful and thoughtful analyses of local environmental questions to take to their citizenry, he said.

"It doesn't always cut in favor of the environment," he noted. It may make sense to develop for housing farmland on the edge of a town where water and sewer lines already exist, he says, because the development wouldn't be as disruptive or expensive there "as opposed to setting up a suburban five miles out."

Back on the Hudson, there are plenty of economic and ecological issues to study, the academics say. Earlier this month, for instance, Erickson took one of his economics classes to a fish hatchery on the Schuon River, which feeds the Hudson, to witness trends in fish depletion, sport fishing, restocking efforts and game management.

"Without that type of (trout restocking) program, different lakes and streams would be fished out," he said.