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## Where Nobel Economists Put Their Money

### Three laureates discuss what to do with what's left

From BU Today | By Art Jahnke

"A lot of wealth is gone, and there is no reason for it to come back."

That was the summation of Robert C. Merton, one of three Nobel Prize-winning economists who joined intellectual forces on October 23 at the School of Management's three-day Future of Life Cycle Saving and Investing Conference. Merton, along with Robert Solow and Paul Samuelson, took questions about the impending retirement savings crisis from [PBS NewsHour correspondent Paul Solman](#) at a panel discussion, What Retirement Means to Me, that will be aired in part on the public television program.

"I believe this is a permanent decline," said Merton. "I do not think this is a liquidity event." He told the audience, which included faculty from business schools around the world, that \$4 trillion has been lost in real estate, and another \$8 trillion to \$9 trillion has been lost in the stock market.

Asked by Solman if the current down market makes this a good time to invest, Samuelson, perhaps the preeminent American economist of the 20th century and the sole winner of the 1970 Nobel, expressed uncertainty. "History teaches no lessons," he said. "You don't know when to get back in."

Speaking to a packed house in SMG's fourth-floor dining room, the Nobel laureates several times digressed with teasing banter. Asked when he planned to retire, the 93-year-old Samuelson explained that he would have to grow up before he considered retirement. Solow, who at 84 is the Foundation Fellow at the [Russell Sage Foundation](#) (where he succeeded Merton's father, sociologist Robert K. Merton), said he believed that he had retired several years earlier when he gave up his teaching salary at MIT. Both Samuelson and Solow taught economics for many years at MIT; Merton is the John and Natty McArthur University Professor at Harvard Business School.

When Solman questioned the experts about the distribution of their own investments, they returned some surprising answers. Solow, who won the Nobel in 1987, said he had no idea what was in his portfolio. "I just never paid any attention," he said. "That's because I don't care. And I'm lucky to have a wife who doesn't care."

Merton described his portfolio as "almost perfect — you just have to get short." The Harvard economist, who won the Nobel Prize in economics in 1997 for his study of stock options, later revealed that the bulk of his portfolio was in a Global Index Fund, Treasury Inflation-Protected Securities, and one hedge fund. He said he had been invested in a commercial real estate fund until recently, but dropped that when its value rose too quickly for his comfort.

Searching for a more optimistic note, Merton pointed out that most people are still living in the houses they've been used to living in. But, he reminded the audience, the value of those houses is considerably less than it used to be. In the coming years, he said, the people who will fare best are those who enjoy their work. "If you happen to be doing what you like," he said, "that's a pretty good deal."

Asked what advice he had for young people today, Solow offered three short words: "Earn and save."

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<http://www.forbes.com/2009/11/25/low-cost-index-funds-diversification-personal-finance-meet-the-bogleheads.html> = "Meet the Bogleheads"

