

Monetary policy

[Literature](#), [Russian Literature](#)



Monetary Policy Article Summary Monga, Vipal, and Ramsey, Mike. Low Interest Rates Force Companies to Pour Cash into Pensions. The Wall Street Journal, 03 Feb. 2013. Web. 17 April 2013.

The article opens with the observation that the Ford Motor Company is expected to spend about \$5 billion in 2013 shoring up the company's pension funds, an amount that is almost as much as it spent in buying equipment, building plants and creating new cars the previous year. The hook in this article is intended to introduce its main focus which is the fact that U. S. corporations are pouring money into pension plans that have been hit by interest rates which are at a record low. According to Monga and Ramsey (1), this drain on corporate cash comes as a result of the country's monetary policy which has reduced interest rates too record low levels with the aim of stimulating the economy by encouraging borrowing. the article also does observe that low interest rates can be beneficial to companies in the sense that they can borrow money cheaply.

The article revisits the issue of pension plans which were used to compensate workers instead of using pay increments. While these plans were quite helpful, they currently seem unsustainable as companies that contribute to pensions struggle with costs. The authors crunch some numbers, noting that pension plan funding experienced a fall of \$79 billion in 2012. Using examples of big companies, the authors are able to show the effect of falling interest rates on pension plans. For example, Monga and Ramsey (1) observe that falling interest rates in Europe and the United states have seen the company reduce its discount rate from 4. 6 percent to 3. 84 percent. Some of the companies mentioned in the article that are

pouring cash into their pensions include General Motors, Boeing, Verizon Communications and AT&T. therefore, while low interest rates might encourage borrowing, they affect other economic aspects negatively.

Works Cited

Monga, Vipal, and Ramsey, Mike. Low Interest Rates Force Companies to Pour Cash into Pensions. The Wall Street Journal, 03 Feb. 2013. Web. 17 April 2013.