OPINION/EDITORIALS

Special Report: *Campuses hit hard by economic downturn*

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BLACK COLLEGE WIRE

As the country's sagging economy dominates the headlines, college students are being hit in their wallets along with other members of society. Students say they are struggling with higher tuition, gas and food prices and worry that they will be unable to repay student loans after graduation.

With Federal Reserve Board Chairman Ben Bernanke admitting on April 2 that a recession is "possible," while many economists have declared that it has already arrived, many students are looking ahead with dread.

Dante Williams, a senior at Miles College in Alabama, is considering a change of plans. He has financed his education largely through student loans. "I've been thinking about joining the military — that's still an option — so that I can get my loans paid off."

Williams says money is tight. "I'm a full-time student, I have an internship, I'm taking 18 hours ... it's hard to put gas in the car ... tuition and room and board have gone up. It affects me negatively."

William Champy Jr., a 58-year-old graduate student at South Carolina State University, says higher prices have had a "very important, but depressing" impact on him.

"I find myself running short of money each month," the retired faculty member and public school teacher adds, noting that the economy may bring his education to a halt. "I am currently not receiving financial aid — I'm afraid I won't complete school."

Tashana Francis, a South Carolina State senior, is concerned about her ability to repay student loans and says she's been spending less.

"The interest rate seems to be going up but salary does not seem to be," says Francis, 22.

Down in New Orleans, where residents are still recovering from Hurricane Katrina, Harold Mitchell, 21, a Dillard University senior, is also worried about the future.

"I'm concerned about the ability to repay my student loans," Mitchell says. "With the high interest rates suddenly rising, I'm not sure if I will be able to pay my loans back and still have money to live off of."

Mitchell's spending habits have changed. "I am using credit cards less now because of the interest rate. The interest rate is too high on credit cards right now, and if I don't have the cash, then I don't need [to buy] it."

Another Dillard student, Alaina Smith, says gas prices have caused her to change her driving habits. "If I don't have to move my car, I won't. If I can, I definitely try to carpool. It's a waste for everyone to drive to the store."

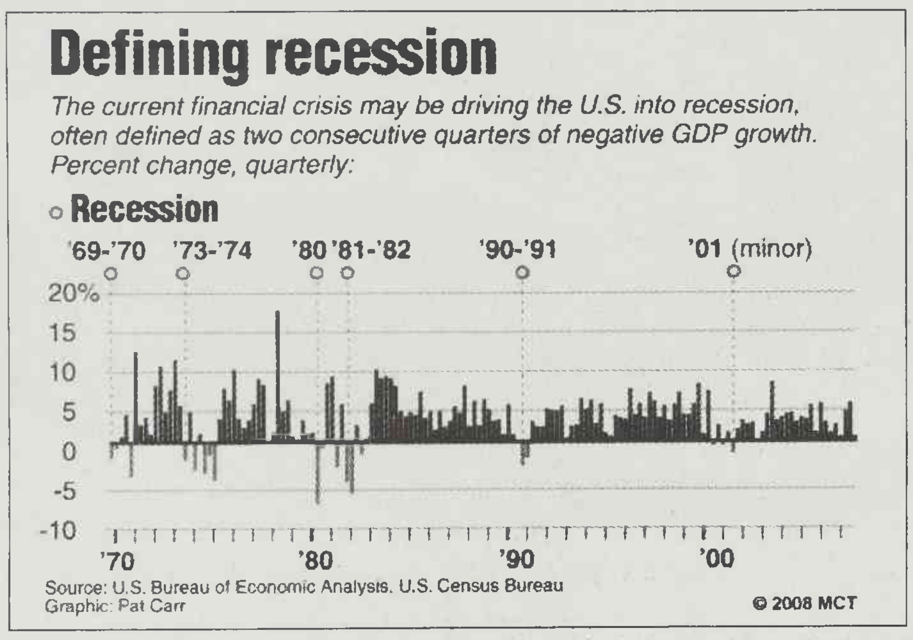


Photo by

Fear of the possibility of not being able to pay back students loans has college students on edge and looking ahead with dread.

Smith, a junior nursing major, says she and her friends are attempting to economize. "We all try to clique together if we are going in the same direction. It will be like eight of us getting out of a five-passenger vehicle but, hey, it's a way to save gas!"

Denna Harrison, a senior at S.C. State, says the declining state of the economy has affected her life in a "major" way.

"If anything, the rise in gas prices has had a major impact on me," says Harrison, who drives an SUV.

Harrison, an elementary education major, added that she is concerned about repaying student loans after she graduates and begins teaching. She also says she has family members who are affected by inflation and unemployment.

"I hope the next president will focus a great deal on how bad our economy is suffering because it's getting a lot worse," Harrison said.

Like Mitchell, other students are limiting their use of credit cards. "I have one credit card and I never use it," said Brittani Dones, a senior at Prairie View A&M University.

Dones said she sees her friends struggling. "I notice my friends having a hard time finding jobs while in school. Since they don't have a part-time job or steady revenue coming in, they don't go places unless it is a necessity."

Clark Atlanta freshman Elizabeth Coburn says the unemployment problem is affecting her on a personal level. "It's really hard to find a job right now… I've been looking for a while," she said, adding that "there aren't any jobs to find."

Unlike some of the other students who have cut down on credit card use, Secret Spencer, a sophomore at S.C. State, admits she is using her credit cards more.

"The option to pay at a later date gives me more freedom to pay for other things with cash," said Spencer, 20.

She said that not only is she cautious about how much she eats, but her family is also becoming more cautious of how much they consume.

"They are definitely eating less and walking more, which may not be a bad thing."

Not everyone is feeling the pinch. Morehouse freshman James Rawls says the economy hasn't affected him, in part, because he has developed good spending habits, including not owning a credit card. "When you have a credit card you tend to spend money that you don't have and cannot pay back." Rawls said he doesn't plan to obtain a credit card until after he graduates.

Rawls, a biology/pre-med major, also says he isn't worried about the future because he plans to become a physician. He points out that "people are always going to need doctors."

And Dervedia Thomas, a sophomore attending S.C. State, says her habits have not changed much. She says even though food prices are too high, she hasn't made any adjustments to her life.

"I still buy what I want," Thomas says.

Supply, demand, and gasoline prices

David W. Kreutzer
MCT WIRE SERVICE

During the summer, television networks don't seem to discriminate in airing re-runs. The miserable shows get re-aired along with the good ones. Washington seems to have the same mindset when it comes to policy reruns. Failed policies are as likely to be reinstituted as successful ones. Case in point: petroleum regulation and the "windfall profits" tax.

Congress demands testimony from oil executives and threatens additional taxes and price regulations whenever petroleum prices rise. It's an old tradition — and one based on economic ignorance.

Bowing to flawed thinking and the popular will, President Nixon (with Congress) instituted general price controls in 1973. It was a vain attempt to control inflation. After the predictable shortages arose, price controls were eliminated on everything except petroleum products and natural gas. Not eliminating those price controls created the energy crisis of the 1970s and the memorable gas lines.

Yes, the Arab oil embargo reduced the world supply of petroleum. Yes, worldwide economic growth created more demand. However, increasing demand and shrinking supply cause higher prices, not gas lines.

This isn't a mystery. Around chapter five in every "principles of economics" class, the impacts of price ceilings are explained. They lead to shortages. The logic is clear, and the evidence is consistent and overwhelming. When Reagan eliminated petroleum price controls in 1981, the shortages and the gas lines disappeared.

The public rarely understands who's actually at fault. Surveys taken in the 1970s about the energy crisis bear this out. Who did the respondents blame? Not Washington for its Byzantine price and allocation controls. They didn't even blame OPEC. They blamed "Big Oil."

Then as now, a weakening dollar and strong economies overseas led to higher petroleum prices. Then as now, the popular culprits were the oil companies. In a result especially depressing to those of us who spent decades teaching chapter five, a recent Gallup survey found that 70 percent of Americans want Washington to implement price controls to counter the high price of petroleum. Even more unnerving is the 64 percent of Americans who think you can cut the price of gasoline by imposing "a significant additional tax on oil company profits."

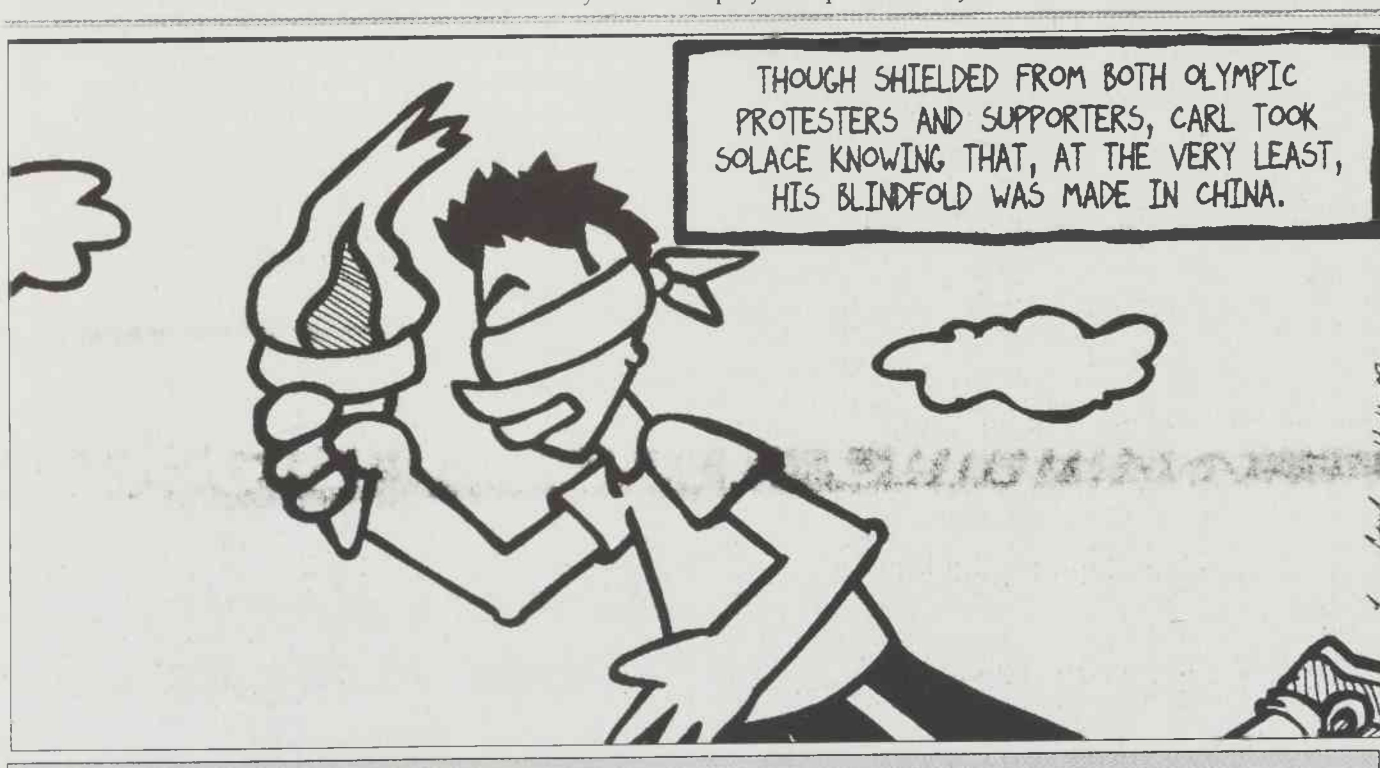
In a bad-policy rerun, Congress, blaming high prices on high profits, again demands testimony from oil-company executives and threatens regulations and additional taxes.

Today's high oil-company profits are largely caused by high prices on the petroleum they pump from their reserves. Anybody who owns petroleum reserves, whether it's Exxon, Venezuela, Iran, or the University of Texas, gets more money when petroleum prices rise.

These high prices are the result of straight-forward economics: Demand has increased more than supply. For instance, China's demand for petroleum has doubled in just the last 10 years. Unless and until supply catches up, no regulations, taxes or histrionics will bring gas prices down.

Penalizing Americans for having the foresight to buy and develop oil reserves (which an additional profits tax would do), ensures that a larger percentage of these valuable resources will be controlled by the likes of Venezuelan President Hugo Chavez and Iranian President Mahmoud Ahmadinejad. A political truth-in-advertising law would require disclosing this fact when legislators propose additional profit taxes on oil companies.

None of the presidents who enforced energy price controls and windfall profits taxes was re-elected. Yet the president who eliminated them served two terms and remains one of the most respected figures in American history. Which re-run would you want?



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