Steve DeLoach Elon Economics Professor

current The situation in the United States economy, at the forefront of the news since last fall, has not necessarily been explained at а level that the general public can understand. Elon Economics professor Steve

DeLoach provides students with an easy-to-understand background of the current economy and how it got to this point.

"The mess we have on our hands today has been years in the making,' DeLoach said. "I think the roots of this go back 10 or 20 years. For most of the '90s interest rates were super low and housing prices were on the rise. Americans started living above their means and stopped saving. It seemed logical until about a year and a half ago when the housing market started crashing. Everyone got nervous and started selling, which only drove prices further down. Last fall, we had the big crash everyone refers to now, and people lost about 40 percent of their total wealth. It was paper wealth, but if you cut what you are worth in half you are going to stop spending. You aren't nearly as wealthy as you used to be. Suddenly, that Lexus doesn't look like such a good buy. It can all really be boiled down to the fact that consumers stopped spending because they didn't feel rich anymore.

Despite this bleak analysis, there is some good news. According to DeLoach, there are signs that we are starting to come out of the recession -- consumers are slowly beginning to spend more money and businesses are starting to produce more. Unfortunately, he said the last thing to respond during a recession is actual employment.

"Businesses have a tendency to start working their existing workers longer hours long before they actually hire new people," DeLoach said. "It is a large cost to hire a new worker, so they are only going to hire new people if they are really sure about where the economy is, which is going to take some more time. About 16 percent of Americans are currently unemployed or working part time when they really want to be working full time, and those numbers are only going to get higher into sometime early next year at least. But the good news for seniors is things should start looking better by next summer."

DeLoach has already seen the economy affecting college students. When he asked his freshmen classes what they did over the summer, many of them responded "nothing," as they were unable to find a job. Internships were at an all-time low this summer and many jobs typically held by college students were unavailable as unemployed adults were forced to take on menial labor.

without reading a headline about the economic downturn or hearing about dwindling stock Though Elon was named one of portfolios. Princeton Review's "100 Best Value Colleges for 2009," it is still a private university with tuition at

\$25,489 and room and board at \$8,236. Therefore, it is no surprise that one of the biggest effects the economic crunch has had on Elon students has been their ability to afford Elon. Pat Murphy, director of financial planning, said there has been a large increase in the number of students applying for financial aid this year. While the final numbers are still being calculated, Murphy estimates at least a 15 percent increase,

It seems that it is near impossible to go a day

which he believes is because of the increase in parents who have lost their jobs. "Unemployment among Elon parents has not been restricted to any particular profession,' Murphy said. "I have seen people who were making as much as \$500,000 a year lose their jobs. When you have a lifestyle that has been supported by half a million dollars a year and suddenly that money is gone, you have a lot of commitments that

you need to satisfy, so it becomes a problem." Murphy also noted that many of the scholarship accounts from which funds are drawn have had lower balances this year since they have earned less money because of the market.

"For example, an endowment that might have produced \$3,000 worth of scholarship money last year might have produced \$2,500 this year," Murphy said.

Parents are not the only ones whose jobs have been affected by the economy. Many Elon students have also expressed concern regarding jobs.

Sophomore Laura Bondi said her hours at both her on-campus job as well as her summer job were cut

"Budgets everywhere have been decreased because of the strained economy, and on top of that minimum wage was increased," Bondi said. "Employers have to make cutbacks somewhere and in my case, hours had to be cut.

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Bondi said while she made changes in her personal life while she was at home, she hasn't needed to at Elon.

'College students are kind of in a bubble where they don't have to spend as much money," Bondi said. "I don't need a car on campus, so gas money isn't an issue and I have a meal plan so I don't need to spend extra money on food."

For senior Lesley Cowie, budgeting has been a major part of her life since 2001 when her father lost his job in the textile industry. Her family now lives off her mother's \$9 an hour salary as a Lowes cashier, which leaves Cowie on her own when it comes to rent, food and other college expenses.

Cowie maintains three part-time jobs while juggling a full course load in order to make ends meet

"My dad's situation affected me more than the economic crisis," Cowie said. "I was already pretty thrifty so I didn't really need to cut back per say because I was already working so much that I knew exactly where I could afford to spend."

Murphy, DeLoach and Cowie all advised that students maintain a budget and take full advantage of the free entertainment offered on campus.

The good news for Elon students is that the Student Union Board, an organization dedicated to providing students with low-budget or free programming, has not been affected monetarily by the economy. SUB has actually increased the number of programs offered to 70-80 a semester in order to account for the current economic climate.

While the economic problems have slightly infiltrated the Elon bubble, students have found their college lives to be relatively unaltered.

SPECIAL PROJECTS



THE PENDULUM

Laura Wainman

Tracking the financial crisis Last September, a financial crisis that began with turmoil in the subprime mortgage markets nearly brought the world's economy to its knees.

Behind the crisis 2008: Near collapse, government interventions

Dow high 14,164.53 September • U.S. government seizes federal mortgage insurers Fannie Mae, Freddie Mac

 Last two investment banks standing, Morgan Stanley and Goldman Sachs, convert to bank holding compa

 FDIC insurance deposit limits raised to \$250,000 • Belgium, Iceland, U.K. bail out or nationalize

2009: Fiscal stimulus, hints of recovery

January Barack Obama succeeds Bush as U.S. president, appoints economic team, including former N.Y Fed plan to deal with crisis, including "stress tests" to judge the financial bealth

April G-20 leaders meet in London, pledge to triple funding for the International Monetary

	SVU7			6/06	9/08	1/09 6,000	3/09	6/09
6,00		July Federal Deposit Insurance Corporation takes over subprime lender IndyMac	 Bush administration unveils \$700 billion plan – known as the Troubled Asset Palial Program 	 +EDC seizes Washington Mutual, the loan, sells it to loan, sells it to JPMorgan Chase; Wachovia enters into talks with Citigroup, then is sold to Wells Fargo October • President George W. Bush signs \$700 billion barlout bili • Fed makes an added \$900 billion of short-term lending available to banks, says it will lend \$1.3 tillion to non- financial firms 	• G-7 (Canada, France, Germany, Italy, Japan, U.K., U.S.) finance ministers meet, but fait to develop crisis plan)	Dow Jones 1	• But there are encouraging signs: fewer jobs are being lost, home sales are ticking up and stock markets around the globe are rebounding
		• Fed lends directly to securities dealers for the first time since the 1930s to ease credit			 to weak U.S. assets Ireland and Denmark guarantee bank deposits BNP Paribas takes over Fortis, making i the largest Eurozone bank Major central banks coordinate rate cuts 	billion stimulus package into law; nations world- wide pump stimulus money into their economies		
		tury Financial, the ordine lender, tiles pankruptcy insistration unveils a to stem subprime colourer, the Bush insistration unveils a to stem subprime stablize the subprime stablize the subprime						Industrial Average
	In April 2007, New Century Financial, the second largest U.S. subprime lender, files for bankruptcy						Facility, or TALF, to ease credit for consumers and small businesses, and a plan to encourage private investment in troubled assets, which is slow to takeoff	September • A year after the near collapse of the global financial system, credit remains tight, unemployment high
	Int money to borrowers in ho with poor credit, no cash year	January Data for 2007 shows the largest drop in home sales in 25 years, prompting fears	• U.S. investment bank Lehman Brothers files					June Obama administration releases proposal to reform U.S. financial regulation
		him	Low	to gain access to more loans from the Fed		the tinancial health of big banks, the creation of the Term Asset-Backed Securities Lending	Fund, crack down on tax havens and improve international financial regulation	

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