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Students uneasy as economy teeters

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Finance senior Daniel Koch worked 100 hours a week during a summer internship with Lehman Brothers last year. His work paid off when he received a job offer toward the end of his internship.

Since then, Koch has received several conflicting phone calls from Lehman Brothers after the investment bank declared on Sept. 15, the largest bankruptcy in U.S. history. One day the offer was secure, and the next, it was up in the air.

"Recruiting for finance majors right now is absolute hell," Koch said. "There are a lot of qualified candidates on the market and not a lot of jobs, so it's brutal."

While their counterparts in other colleges may be cramming for tests, many business students are focused on the future of their careers as recent Wall Street turmoil has rendered many industries, including investment banking, obsolete.

"It really is a historical event, and we're on the front lines," said finance senior Daniel Davis.

Over the past several weeks, businesses and banks on the verge of bankruptcy have scrambled to survive. A \$700 billion rescue plan proposed by Treasury Secretary Henry Paulson Jr. and Federal Reserve Chairman Ben Bernanke was hammered out by congressional leaders of both parties Sunday morning. The House will vote on the plan today.

Every University student will feel the effects of the economic crisis, said accounting professor Michael Granof.

Granof and economics lecturer Olivier Giovannoni said students may find it harder to get loans and credit cards, universities may face budget cuts, federal funding for research grants may decrease, and state and local governments may have to increase taxes or decrease services. Rising unemployment could make it harder for graduates in all fields to get jobs.

Granof calculated that the bailout could cost each U.S. citizen more than \$2,600 in tax dollars.

"Each student is responsible for that debt as a taxpayer," he said.

Many in Congress are resistant to pass the plan because of the possible effect on taxpayers, said finance senior Tony Wang, who interned at Merrill Lynch last summer.

"For those people who didn't take out outrageous loans, who pay taxes, who have savings and who aren't dependent on the financial market right now, it's not their fault, so they have a right to be angry," Wang said.

The results of the collapse of many financial institutions will extend to almost everyone, he said.

"It's not the taxpayers' obligation to help out, but a lot more people could be negatively affected," he said. "People will lose their homes and their jobs, and the U.S. could go into a recession that turns into a depression."

The economic crisis hits a more personal note for many finance students, including Wang.

"My bias is that I'm trying to get into the investment banks industry," Wang said. "If Congress doesn't bail out these banks, I'm going to be jobless. All the people in finance will be jobless."

That prospect means business students need to survey their options.

"One of the biggest challenges students are facing is the reality that with all they've been preparing for, they now might be forced to look for other avenues of work," said economics senior Celeste Mejia. "They're thinking, 'What else am I good at right now?'"

The rapid decline of the investment bank industry may also leave many students questioning the roots of the turmoil, said finance senior Tyler Rabun.

"It's kind of difficult for people outside the financial realm to understand," Rabun said. "Admittedly, even I don't fully understand the extent of it."

The problems began when banks relaxed their usual standards for lending and loaned money to people who could not always afford to pay it back, Granof said. Banks then combined the loans and sold them off piece by piece to investors.

Banks will not lend to other banks without knowing which investors own the riskiest assets, said finance lecturer Michael Brandl.

"If banks won't lend to other banks, they certainly are not going to lend money to students for student loans," Brandl said.

But he said the bailout could set the stage for the next big financial crisis.

"It may be sending a signal: Go ahead, screw up and misprice risk again," Brandl said. "Don't worry, though. The taxpayer will be there to bail you out again."

Granof advises students to be spend cautiously and save as much money as possible.

"The only silver lining you're going to see is that financial services will be reconstituted, and you're going to see much more regulation," Granof said.

Koch, like many other students, will continue to watch as events on Wall Street — like their own futures — change course.

"It's disheartening to spend every waking minute of your internship with them and then seeing it all fall apart," Koch said. "The only thing that's certain right now is that there's a lot of uncertainty."

