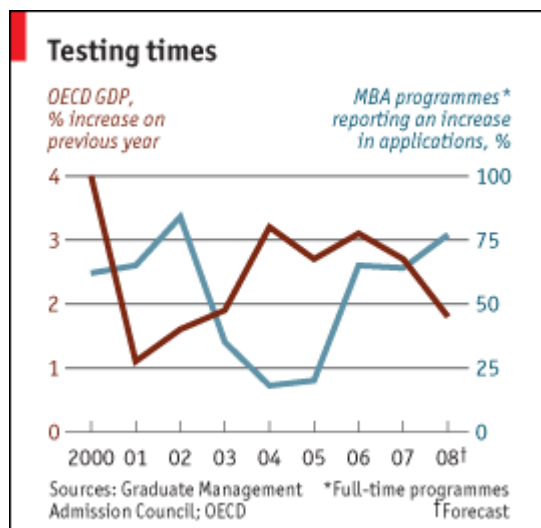


## Ports in a storm

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### Business-school applications pick up as the economy slows

ANYONE wanting further proof that the world economy is in trouble need look no further than the nearest business school. Many schools are hailing a bumper year for their full-time Master of Business Administration (MBA) programmes, which are popular with executives looking to hone their moneymaking skills while sitting out a downturn. Worryingly for those betting on a swift economic recovery, business schools reckon that next year could yield an even bigger crop of applicants.



During the previous downswing the percentage of full-time MBA programmes reporting higher applications soared as tech stars switched to textbooks (see chart). The pace slowed as the economy improved, but then picked up again. Preliminary figures from the Graduate Management Admission Council (GMAC), an international organisation of business schools, show that 77% of full-time programmes have reported higher demand for places this year.

Admittedly, the state of the economy is not the only factor driving demand for MBAs. Students from India, China and eastern Europe have swelled the ranks of applicants. But the business cycle still has an important influence. The biggest cost of undertaking an MBA is often the earnings forgone while studying. In difficult times those earnings may fall or even disappear, reducing the opportunity cost of taking a year out.

This helps to explain why demand for places is up this year, even as falling house prices make people feel poorer and the credit crunch makes student loans pricier. "Several months ago we were nervous about the impact of the financial crisis, but it does not seem to have been a major impediment," says Mark Mallinger, associate dean of full-time programmes at Graziadio School of Business at Pepperdine University in California, which has seen a 30% rise in applications. Others reporting

double-digit increases include the London Business School and the Stern School of Business at New York University.

“We’re predicting a very strong applications market through 2010,” says David Wilson, the chief executive of GMAC. Registrations for its Graduate Management Admission Test are forecast to exceed 249,000 this year, an all-time high. Scores on the test, which 1,800 business schools require, are valid for five years. Of course, there is no guarantee that students who embark on MBAs now will be able to walk into their ideal jobs when they emerge clutching their new degrees. But they may stand a better chance of doing so than this year’s graduates, who must grapple at first hand with the practical implications of the macroeconomic theory they learnt in class.