Matthew Teada

Professor Richard Madigan

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David and Goliath

Across the country we have seen a pandemic rear its ugly face like never before and I am not referring to COVID-19. Though the Biden Administration has weathered an onslaught of criticism, just like every other presidential administration in history, it has done a phenomenal job at targeting one of the Achille's heels that we face in our society today: Federal Student Loan debt. About 48 million Americans collectively owe more than $1.6 trillion in federal student loans, roughly equal to the size of the economy of Brazil or Australia (Koeze). Adjusted for inflation, 9.0% was the average annual growth rate for the national federal student loan debt from 2007 to 2021 with a debt balance increase of 248.19% (Educationdata). The federal government began taking a significant role in funding education after WWII with the introduction of the Serviceman's Readjustment Act of 1944, known as the GI Bill (Markovich). Federal student lending began in 1957 after Congress passed the National Defense Education Act which created federally funded student loan programs that would eventually involve all levels of education (Markovich). The U.S. would eventually include the Higher Education Act, introduced by Lyndon B. Johnson in 1965 (Markovich). Aid in the form of Federal and State Pell grants has been established but has not been able to parallel the rising cost of higher education.

This rising cost of college and the amount of existing loans needs to be addressed at the root level, which means not just the forgiving of outstanding loans for the middle class, but reigning in the unchecked monopoly of higher education completely. This should be done by eliminating the cost of public state schooling for all students, regardless of social status or race, or at the very least making education affordable to the point that loans are no longer necessary in most cases. Student Debt has ascended to a level that is completely unacceptable. Other countries have already addressed the issue of higher education costs and have overcome the plague that is now deteriorating the U.S. economy and negatively impacting the lives and mental well-being of our future leaders.

According to the Organization for Economic Cooperation and Development, The U.S. spends twice the world average of $15,556 per student in colleges and universities than in any other country in the world (Cooper). Due to the U.S. government footing the loan debt, an unsatiable greed within college boards of education came to fruition, resulting in the rising inflation of tuition by 9.0% annually. Students within the U.S. have several different options to skin their bank accounts including community college, with an average annual cost of $3,770; public 4-year college/university at $10,560; or a private, nonprofit 4-year college/university at a measly price tag of $37,650 annually (Haegele). In the web article, “America Spends More on College than Virtually Any Other Country.” by Forbes Magazine, Preston Cooper points out that Norway’s spending per pupil is half of that in comparison to the U.S., yet most students attend tuition-free public universities. Not just Norway, but Germany too has free tuition for all students regardless of their country of origin. Other E.U. countries have similar programs of low cost, as do Mexico, Uruguay, Argentina, and Brazil (Haegele). As a result of universities spending less, it is easier for the government to cover the cost. Free tuition could mean large budget cuts to institutions, but they would also be offset by unbridling the blank-check student aid programs that caused this plight to begin with.

The effect that student loan debt has on the economy can be compared to the infamous housing bubble that precipitated the 2007-2009 recession and economic downturn, reducing business growth and suppressing consumer spending (Hanson). To consider the matter of housing, a 10% increase in student loan debt correlates with a 1.5% decrease in homeownership rates, impacting not just the real estate market, but the freedom of an individual to aspire to homeownership (Porter). As a reporter for the Education Data Initiative, Melanie Hanson highlights within her analysis "Effects of Student Loan Debt," that when consumers have less expendable income due to a 1% increase in debt, it is directly correlated to a decrease in consumption of goods by as much as 3.7%. This debt could prohibit spending for decades as half of past student borrowers still owe approximately $20,000 on outstanding loan balances (Hanson). Being the largest form of debt in the U.S., after mortgages, student debt inhibits the economy by affecting potential business growth. Future entrepreneurs are 11% less likely to start a new business if they owe more than $30,000 in loans, a loss of around 102k new jobs annually (Hanson). An increase in reliance on welfare programs also emanated from student debt's impact on the economy. One out of every five food stamp recipients holds a postsecondary degree (Hanson).

Aside from the stress, anxiety, and mental depravation that debt can have on an individual, student loans inhibit opportunities of importance and can force undesirable choices upon someone who may otherwise have taken a different path. According to a study published by the American Student Association, approximately 50% of graduates agree that their debts have hampered their ability to further their careers when compared with their counterparts without debt (Porter). Student loans have a nasty habit of lowering the net worth of an individual, creating more difficulties in making larger purchases and qualifying for business loans or mortgages. Studies show that 35% of loan holders struggle making purchases for living necessities (Hanson). The average credit score for someone with a student loan is 656, lower than the national average of 711 (Porter). This can influence many students to avoid a higher education entirely. Other life factors that may be impacted include starting a family, marriage finances, impulsive job decisions, and delaying life goals.

Those who are laden with the most burdens are the students who are unable to find a decent job after graduation, those who are so overwhelmed with debt that a good paying job is not able to balance the expenses of their student debt, or those who are unable to finish their programs, with a default rate of three times higher than those who graduate (Markovich). An astounding number of borrowers who struggle are from lower income families, first generation students, and students of color. Borrowers with smaller amounts of debt often have a challenging time repaying their loans (Markovich).

Some would argue that the benefits of receiving a college education outweigh the consequences of debt, yet the financial benefits of a bachelor's degree have declined 0.98% annually for men and 0.75% annually for women (Hanson). The average bachelor's degree holder earns approximately $33,000 more annually than a high school degree holder, but the ultimate cost of that degree may well exceed $400,000 (Hanson). The student debt relief plan launched by President Biden in 2022, cancelled up to $20,000 for Pell grant recipients and $10,000 for others, but economists have warned that the move could encourage universities to raise prices, with the federal government footing the bill. Therefore, a complete reform is needed of our financial structure in education. If we can eliminate the issue of college debt, more people may be willing to pursue a higher education, creating a more educated and productive workforce.

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