

US student debt surpasses \$1 trillion

David Walsh
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According to a federal government agency, student loan debt in the US surpassed 1 trillion dollars “several months ago.” The finding, reported by a spokesman for the Consumer Financial Protection Bureau (CFPB) to a banking conference in Austin, Texas on Wednesday, is “much larger” (in his words) than other recent estimates.

The Federal Reserve Bank of New York issued a study in early March suggesting that the total student debt had reached \$870 billion. The new figure is 16 percent higher than that estimate. This staggering amount is greater than the total owed by Americans on their credit cards or auto loans.

The CFPB announcement, which signifies that a considerable portion of the younger generation will be condemned to decades of debt, will not create a ripple within the American political and media establishment.

Leading newspaper editors and television pundits, as well as Democratic and Republican politicians, are universally agreed that the full cost of the economic crisis must be borne by the working population, whatever the consequences. Neither Barack Obama nor any of his Republican rivals will do anything about the deepening scandal of student debt.

The CFPB’s Rohit Chopra, in his comments March 21 to the Austin gathering, noted that the agency’s initial findings on the size of the private student loan debt had been “sobering,” and that when researchers added in the outstanding debt in the federal student loan program, they came up with the figure of \$1 trillion. Chopra noted that, unlike other consumer credit products, “student debt keeps growing at a steady clip. Students borrowed \$117 billion in just federal student loans last year. ... If current trends continue, there will be consequences not just for young people, but for all of us.”

Chopra pointed out that federal student loan debt isn’t increasing simply because of individuals taking out new loans. “With so many borrowers unable to keep up with interest payments, debt is growing even for many who have left school.”

The CFPB student loan ombudsman added, “The lines

of job-seekers are long, states are reducing their higher education budgets, and household budgets are straining. Young consumers are shouldering much of the punishment in the form of substantial student loan bills for doing exactly what they were told would be the key to a better life.”

The comment and findings, although couched in the usual understated language of such reports, are an indictment of a social order quite content—deliberately and on principle—to sacrifice the hopes and well-being of generations to defend the wealth of the ruling elite.

In the final analysis, the vast indebtedness of students and former students is one feature of the transfer of trillions from the working population to the super-rich. The slashing of budgets for higher education, the dramatic increases in college tuition, the emergence of a predatory student loan industry, the relentless hounding of those in debt, the enrichment of a handful of university administrators—all of these phenomena have taken place within the same social context, the unprecedented polarization of American society along class lines.

The various figures and processes are almost overwhelming to contemplate:

Total student loan debt has grown by 511 percent, or more, over the past dozen years. In the first quarter of 1999, a mere \$90 billion in student loans were outstanding. That figure had soared to \$550 billion in the second quarter of 2011, which may turn out to have been an underestimation. Between 1999-2000 and 2007-2008, private student loan borrowing grew four times, from \$4.5 billion to \$21.8 billion per year. The College Board reports that, adjusted for inflation, students are borrowing twice what they did a decade ago.

According to the Project on Student Debt, some two-thirds of college seniors graduated with loans in 2010. Those graduates also faced the highest official unemployment rate for young college graduates in recent history, 9.1 percent. The Economic Policy Institute estimates that between 2000 and 2011, college-educated men and women entering the workforce saw their

inflation-adjusted earnings fall 5.2 percent and 4.4 percent, respectively.

A recent study by NERA Economic Consulting points out that the 37 million people in the US currently holding student debt are “concentrated in the younger segment of the population, as more than 60 percent of the total is between the ages of 18 and 39.”

The consulting firm adds, “One of the most worrisome student borrowing trends is the increase in the number of high-debt borrowers who carry debt loads far above \$25,000, the national average amongst undergraduate student borrowers. Student debt loads of \$50,000, \$100,000, and \$200,000 are still the minority, but those high figures are becoming more common, and with unknown consequences for the individual debtors or the economy as a whole.”

Moreover, private and public lenders have “broad collection powers, far greater than those of mortgage or credit card lenders. The debt can’t be shed in bankruptcy” (*USA Today*).

The New York Federal Reserve estimates that as many as one in four borrowers who have begun repaying their student debts are already behind on payments. The situation means, for many, postponing moving out from their parents’ residence (some 6 million people between the ages of 25 and 34 are still living at home), buying a house, marrying or having children.

Meanwhile, the cost of a college education has skyrocketed. The US Department of Education pointed out in August 2009 that while inflation had increased two and a half times over the previous 30 years, and medical costs six times, the cost of a college education had risen tenfold.

Average annual tuition at private universities in the United States is now more than \$27,000 (room and board adds tens of thousands of dollars more). Harvard University charged students \$600 a year in 1952 for tuition, or some \$5,100 in 2012 dollars—the university’s tuition is presently \$35,000. Although it may seem unbelievable to those of a certain generation, students attended the City University of New York for free until 1975.

Of course, for wealthy families, none of this is a problem. The *Princeton Review* observes that of the students admitted by 10 highly competitive colleges in the US in 2011, 48.8 percent were able to pay the full bill, which averaged \$53,158.

As part of this overall process, a new species of multi-millionaire college presidents has also come into being.

The *New York Times* reports that in the decade from 1999-2000 to 2009-10, “average presidential pay at the 50 wealthiest universities increased by 75 percent, to \$876,792, while professorial pay increased 14 percent, to \$179,970.” Presidents at 36 private colleges earned more than \$1 million in 2009, up from 33 the previous year.

The picture that emerges is of a society uninterested in the education and intellectual progress of the vast majority, except insofar as it profits rapacious corporate interests. There is nothing “democratic” about such a society in any meaningful sense.

The US population at present is prey for financial vultures, whose practices are facilitated by every level of government and the two major political parties. Indeed, America’s politicians see their central role as helping to fill the pockets of ruthless “entrepreneurs,” while enriching themselves in the process.

Many parents and students are outraged by the debt calamity, including the open criminality of many of the private lenders. However, opposition to the crisis, if it is serious, will have to address the underlying social and political questions: above all, the problem of social inequality and the incompatibility of the right to a decent education with the continued existence of the profit system.

The Socialist Equality Party stands for the immediate abolition of all student loan debt. Education is a basic social right and everyone is entitled to receive a quality education, at every level, free of charge. Taking the banks and giant corporations out of private hands and making them public institutions, democratically controlled by the population, will both create the framework for a rational economic order and provide the resources necessary to satisfy every social need.



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