

The student debt explosion

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A report on student debt published March 5 by the Federal Reserve Bank of New York highlights the social disaster confronting young people in the United States.

Amid mass unemployment, falling wages and rising tuition, more and more college graduates are unable to keep up with student loan payments. The report found that over one quarter of student loan borrowers are late on their payments, far higher than the 15 percent reported in earlier surveys.

The total amount of student loan debt in the United States has mushroomed to \$870 billion, surpassing the total level of debt on auto loans (\$730 billion) and credit cards (\$693 billion). Compared to other types of loans, moreover, student loan debt is concentrated in a smaller segment of the population. While 80 percent of the US population have credit card debt, only 15 percent have outstanding student loans. The burden on individuals is enormous, with the average student borrower owing \$23,300.

As tuitions have increased, so have the debt burdens taken on by students. The class of 2010 graduated with an average student loan debt of \$25,250, up 29 percent from \$19,646 for the class of 2006, according to the Project on Student Debt. Meanwhile, wages for college graduates have fallen. The hourly income for male college graduates age 23 to 29 fell by 11 percent in the last ten years, according to a report published last week by the Economic Policy Institute.

An entire generation of young people is being ground down by a crushing burden of debt, their futures mortgaged to the Wall Street banks that are making billions off of the student loan racket. Under conditions where any hope for a decent-paying, secure job

depends on attaining a post-high school degree or specialized training, the plight of today's youth recalls that of the indentured servants of old.

Banks have responded to the rise in defaults by becoming even more ruthless in collecting debts. The New York Federal Reserve reported that two-thirds of bankruptcy lawyers it surveyed said debt collections by student loan providers have become more aggressive in the past year and a half.

While the employment situation confronting college graduates is bleak, the job prospects for those without a college degree are even worse. The Economic Policy Institute study found that for males without a college degree, wages have fallen by 25.3 percent since 1979.

Among the many campaign promises President Obama has broken is his promise to provide student loan relief. Obama has done nothing to halt, let alone reverse, the staggering debt burden on students.

The token measure he announced at the end of 2011 as he began to gear up his reelection campaign, lowering the income-based repayment option on federal loans from 15 percent to 10 percent, covers only a fraction of student borrowers. It excludes bank loans and does nothing to lower the principal on loans. Nor has Obama done anything to reverse the steady decline in student aid.

On this, as on every other question, the Democrats and Republicans rule out any measures that impinge on the profits and power of the banks. Any future prospects for the broad mass of young people are being sacrificed to feed the profit drive of the banks and increase the fortunes of the financial aristocracy.

The clearest indicator of the health of a social system is the future it offers the youth. The inability of the present system to offer millions of youth anything but unemployment or dead-end, low-wage jobs, together with endless war and mounting political repression, demonstrates the complete failure of capitalism.

The impoverishment of young people is part of a social counterrevolution being carried out against the working class as a whole. In fighting for a decent future, the youth must consciously link their fate to that of the entire working class and take up the struggle to build a mass socialist movement.

It is to build this movement that the Socialist Equality Party is intervening in the 2012 elections, in opposition to Obama and both parties of big business. Our candidates, Jerry White for president and Phyllis Scherrer for vice president, are calling for the immediate abolition of all student loan debt.

Our program declares that education is a basic social right, along with good-paying and secure employment. Every person must be guaranteed the right to education, from K-12 through to college, free of charge.

To satisfy these basic needs, we call for the nationalization of the banks and corporations and their transformation into public institutions, democratically controlled by the working people. This will provide the basis for the rational and humane organization of economic life to meet social needs, rather than private profit, and establish social equality.

We call on young people to take up the fight for this program and become actively involved in the campaign of Jerry White and Phyllis Scherrer.

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