

STUDENT DEBT

Canceling Student Debt Could Help Close The Wealth Gap Between White And Black Americans

By [Santul Nerkar](#)

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Student debt exacerbates the racial wealth gap, starting from the moment that newly christened graduates toss their caps in the air. PAUL MORIGI / WE, THE 45 MILLION / GETTY IMAGES

America's racial wealth gap is well-documented, even if many [continue to underestimate its existence](#). Black Americans' net worth is, on average, less [than 15 percent of white Americans'](#), the legacy of [centuries of systemic anti-Black racism](#). Moreover, both political parties have failed time and again to [address the inequities facing Black Americans](#).

But what if I told you that an effective way to start closing this gap was within reach? According to the scholars I talked with who study this issue, [canceling student debt](#) is one of the best ways to start to close America's racial wealth gap, and although it has its risks, it's something that President Biden can do on his own [by executive order](#).

"Higher education was supposed to be the engine for some to secure financial security and stability," said [Fenaba Addo](#), a professor of public policy at the

University of North Carolina, Chapel Hill, who has researched the links between debt and wealth inequality. But she told me that just hasn’t happened. “The realized gains have not been distributed equally, and student debt has contributed to that,” said Addo.

Today, the typical graduating college student [owes about \\$30,000 in student debt](#), about four times more than they did 50 years ago. But that topline figure masks some real racial disparities. Consider that because Black students tend to come from poorer households than their white counterparts, they are more likely to take out loans — and [take out larger loans](#). Moreover, even white students who end up borrowing money for college [have, on average, more preexisting family wealth](#) at their disposal to pay down their debts.

In other words, student debt exacerbates the racial wealth gap, starting from the moment that newly christened graduates toss their caps in the air.¹

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Black students borrow — and owe — more than white students

Share of 2015-16 bachelor’s degree recipients who took out federal loans for postsecondary education, including the average amount borrowed and the share of the amount owed versus borrowed 12 months after bachelor’s degree was completed, by race

RACE/ETHNICITY	SHARE WHO BORROWED	AMT. BORROWED	OWED/BORROWED
Black	86 . 3%	\$39 , 500	103 . 0%
Hispanic	70 . 1	28 , 200	94 . 6
White	67 . 7	29 , 900	89 . 3
Asian	43 . 9	26 , 500	81 . 4

SOURCES: U.S. DEPARTMENT OF EDUCATION, NATIONAL CENTER FOR EDUCATION STATISTICS

And the further removed from college young Americans become, the [more this disparity grows](#) — more than triple, according to a 2016 report from the Brookings Institution — sapping Black Americans’ net worth even more. A [2018 paper](#) from

Addo and sociologist Jason Houle found, for example, that if younger Black adults held the same level of debt as their white peers, the racial wealth gap in young adulthood would be reduced by about 10 percent. Addo and Houle also found that student debt's contribution to the racial wealth gap increased with age, from 13 percent at 25 to 23 percent at 30.

Crucially, too, the racial gap in student debt levels has only grown in recent years. A [2017 paper](#) found that the average student debt for Black households — and number of Black households holding any student debt — increased significantly from 2001 to 2013. The authors found, further, that this growing divide was not because of more Black Americans attending college, but due to disproportionate exploitation by predatory lenders.

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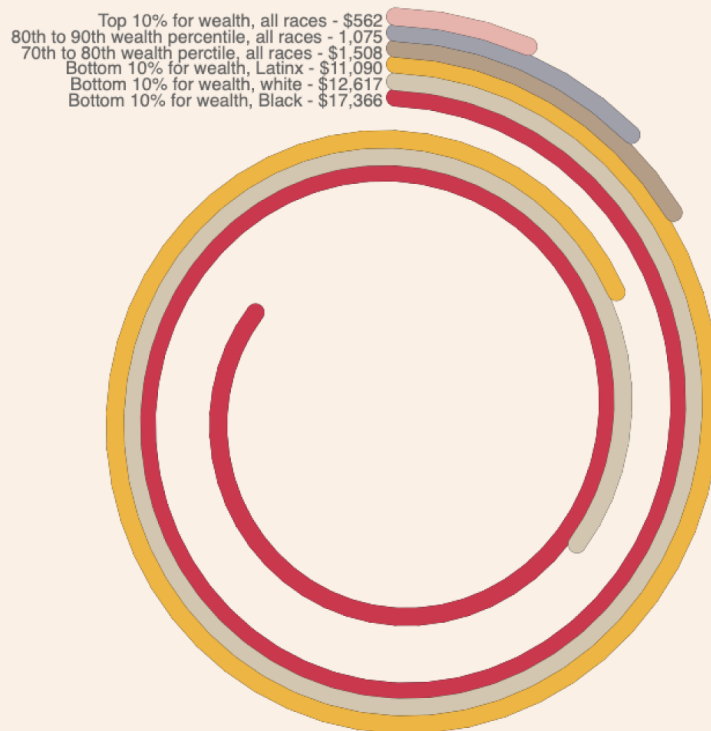
[Louise Seamster](#), a professor of sociology, criminology and African American studies at the University of Iowa and a co-author of the paper, said the fact that Black students tend to carry far more student debt contradicts the idea that higher education is a means to mobility. “If the racial wealth gap between Black and white Americans is 10-to-1, at the median for all families, when we just look at the racial wealth gap between Black and white borrowers, it’s actually twice as bad,” Seamster said.

This is the context in which canceling student debt has [entered the political discourse](#). Progressive Democrats have made the case that forgiving student loans would ease the burden [on millions of families](#), while [Republicans](#) (and some Democrats) have argued that it would disproportionately [benefit the wealthiest Americans](#).

But the scholars I spoke to pushed back against the idea that canceling student debt would be regressive. [Charlie Eaton](#), a professor of economic sociology at the University of California, Merced, said that such analyses often look at income, not wealth, and discount racial disparities in borrowing and the fact that many college students attend college without borrowing money to begin with.

Eaton's [own research](#) has found that canceling \$50,000 of student debt — as some Democratic senators have proposed — would not benefit the wealthiest Americans. Such a cancelation, Eaton and his co-authors found, would disproportionately benefit poorer Black households — while giving little relief to those at the top of the wealth distribution.²

**FIGURE 7: \$50K CANCELLATION
BY NET WORTH AND RACE**



Note: Data from Survey of Consumer Finances 2019. Excludes debt of adult children living with parents. Excludes non-parent loans that are within the grace period for students who are currently enrolled or recently left school. Stata code for Du Bois spiral by Asjad Naqvi (Battle-Baptiste & Russert 2017)

The [amount of debt canceled matters](#) a lot, though, and it's unlikely that what experts say is an optimal number will be forgiven. Biden has said, for instance, that he [won't consider canceling \\$50,000](#) and has recently indicated that \$10,000 will be forgiven. But canceling \$10,000 wouldn't do much to help, according to [Alan Aja](#), a professor of Puerto Rican and Latino studies at Brooklyn College, because of the racialization of student debt.

"Twenty years into repayment, the median black borrowers owe 95 percent of what they borrowed, while the median white person has almost fully repaid their loan," Aja said. "So if you throw \$10,000 cancellation into that figure, it's a drop in the bucket."

"We tell Black kids, if you go to college, you work hard, you get a good paying job, you'll have the American dream," said [Dorothy Brown](#), a law professor at Emory University who researches the racialization of the U.S. tax system. But this just isn't what's happened. Instead, Black Americans are disproportionately saddled with crippling student loan debt.

The existing solutions to this problem haven't worked out for Black Americans, either. Take [income-driven repayment](#), a federal program that allows lower-income borrowers to pay a reduced share of their loans every month — with the promise of the remaining principal being forgiven after a certain number of years. This sounds promising, but because Black Americans have lower levels of wealth than white Americans at the same — and even lower — levels of income, this program is still regressive, not to mention [complicated](#). Moreover, a [2021 report](#) found that just 32 people had *ever* had their student loan balance canceled through this program.

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Add in the fact that Black Americans who graduate from college still face a [labor market](#) stacked against them — which also contributes to the racial wealth gap — and it's clear to see how higher education often leaves Black Americans behind, rather than offering them a true path to mobility.

Interestingly, canceling student debt is at least somewhat politically feasible. Polls generally show Americans support student debt forgiveness much more than they do other programs that would help close the racial wealth gap, like reparations:

Canceling student debt is more popular than paying reparations

Share of respondents who support or disagree with forgiving at least some student debt and paying reparations

POLICY	POLLSTER	MONTH/YEAR OF POLL	SUPPORT	AGAINST	DIFF.
Student debt forgiveness	Data for Progress	Nov. 2020	53%	40%	+13
	Grinnell College	March 2021	66	29	37
	Morning Consult	Dec. 2021	62	28	34
	Survey Monkey	Jan. 2022	69	27	42
	Morning Consult/Politico	April 2022	64	29	35
Reparations	ABC News/Ipsos	June 2020	26	73	-47
	Washington Post/ABC News	July 2020	31	63	-32
	UMass	Dec. 2021	38	61	-23

Each poll used slightly different question wording; respondents were counted in favor if they said they somewhat or strongly supported the policy or said it should be enacted. The Data for Progress question on debt forgiveness asked specifically about a proposal to forgive \$50,000 in student debt for every borrower who makes less than \$125,000 a year.

It’s possible, too, that given Biden’s lagging support among [younger voters](#) and [Black voters](#) — [both](#) of [whom](#) overwhelmingly support at least some student debt forgiveness — he could see a boost in his popularity, especially among Democrats, if he cancels student debt. But then again, the [expanded child tax credit](#) was broadly popular among Americans, and it didn’t seem to buy Democrats much support. Furthermore, if Biden does end up canceling student debt by executive order instead of via Congress, given it’ll be next to impossible to get the 60 votes needed to pass it, that [carries its own political peril](#).

And of course, canceling even the “right” amount of debt wouldn’t come close to eliminating the racial wealth gap, which could make this a hard political sell. The experts I spoke to were unanimous in the view that canceling student debt would not eradicate the racial wealth gap by itself. Research has found that enacting [a set of policies](#) — including student loan forgiveness — could significantly reduce the racial wealth gap, but canceling student loan debt on its own is just one step in that process.

Footnotes

1. And, of course, this doesn’t even count the people who don’t finish college and are [still saddled with student debt](#).
2. Somewhat paradoxically, forgiving \$50,000 of student debt would also strongly benefit the highest-earning Black Americans. But according to Addo that’s in large part because even higher-income Black households tend to hold relatively little household wealth — and thus finance college through taking out loans.

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