

A Dangerous 'New Normal' in College Debt

By CHARLES M. BLOW

We are reaching a crisis point in this country's higher education system.

As college tuitions rise and state and local funding for higher education falls — along with median household incomes — students are taking on staggering levels of debt. And many can't find jobs that pay well enough to quickly pay off the debt. This has long-term implications for our society and our economy, as that debt begins to affect when and if young people start families or enter the housing market.

The student debt crisis may become a dangerous "new normal," according to a report this week by the nonprofit State Higher Education Executive Officers Association:

"In the 'new normal,' retirement and health care costs simultaneously drive up the cost of higher education, and compete with education for limited public resources. The 'new normal' no longer expects to see a recovery of state support for higher education such as occurred repeatedly in the last half of the 20th century. The 'new normal' expects students and their families to continue to make increasingly greater financial sacrifices in order to complete a postsecondary education. The 'new normal' expects schools and colleges to find ways of increasing productivity and absorb ever-larger budget cuts, while increasing degree production without, we hope, compromising quality."

In constant dollars, state and local educational appropriations per full-time student reached their high in 2001, at \$8,670. In 2012, those appropriations fell by nearly one third, to just \$5,896.

The cost of tuition, on the other hand, has increased dramatically. According to a September report by CNN Money: "Over the past decade, average annual tuition for a year of community college has risen 40 percent to \$3,122, according to the College Board, a nonprofit group that runs the SAT exam. At four-year public universities, the cost has risen 68 percent to \$7,692 a year."

Meanwhile, a September Census report shows, median household incomes fell by nearly 7 percent from 2001 to 2011. And there are now more Americans living in poverty than at any time since record-keeping began more than half a century ago.

This confluence of trends has led to higher borrowing by students.

An analysis last month by Donghoon Lee, an economist at the Federal Reserve Bank of New York, found that “student debt is the only kind of household debt that continued to rise through the Great Recession” and is now the “second largest balance after mortgage debt.”

According to Mr. Lee, student loan debt is fast approaching a trillion dollars, up from less than \$400 billion in 2004, and both the number of borrowers and the average balance per borrower have “increased by 70 percent between 2004 and 2012 (7 percent per year).” A September Pew Research Center report found that “a record one-in-five households now owe student loan debt.”

That report also found that student loan debt as a share of household income was 24 percent for families in the lowest income quintile. That was at least twice the share of any other quintile.

As the report put it, “The relative burden of student loan debt is greatest for households in the bottom fifth of the income spectrum, even though members of such households are less likely than those in other groups to attend college in the first place.”

And many of those graduates can’t find work or are underemployed, and they struggle to pay back their own personal mountain of debt.

A January report from the Center for College Affordability and Productivity found that “about 48 percent of employed U.S. college graduates are in jobs that the Bureau of Labor Statistics suggests requires less than a four-year college education.” That number included 37 percent in occupations requiring no more than a high school diploma.

For example, the report pointed out that “in 1970, fewer than 1 percent of taxi drivers and 2 percent of firefighters had college degrees, while now more than 15 percent do in both jobs.”

And yet, this country needs a more knowledgeable work force to be competitive. While the number of college graduates in America is increasing, that number is growing even faster in some other countries. And, as the Organization for Economic Co-operation and Development noted in 2011, “The U.S. is the only country where attainment levels among those just entering the labor market (25- to 34-year-olds) do not exceed those about to leave the labor market (55- to 64-year-olds).”

Our national educational aspirations and the debt crisis that they’re creating are colliding. We are on an unsustainable track. This will not end well.
