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How Student Debt Forgiveness Widens the Diploma Divide

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INTRODUCTION

In August of last year, President Biden announced an ambitious plan to wipe out more than $400 billion of student loan debt for the nation's borrowers.[1] Individuals with incomes below $125,000 (and couples with combined incomes below $250,000) could receive up to $10,000 of loan forgiveness, with former Pell Grant recipients receiving up to $20,000.[2] Speaking about his plan less than a week before the midterm elections, the president made it clear who he was trying to help.

"I want to state again who will benefit most: working people and middle-class folks," he declared in a speech at Central New Mexico Community College (CNMCC).[3]

Given the skyrocketing costs of higher education, some borrowers — particularly those with low incomes and those who were scammed by for-profit colleges — genuinely need assistance. But portraying student loan forgiveness as a working-class issue is highly misleading. In fact, data on student borrowing shows that debt relief benefits few working-class families, most of whom never attended college in the first place.

This paper dives deeply into the evidence on the economic impact of student loan forgiveness. As the paper shows, proposals from political progressives to forgive all student loan debt (or large amounts such as $50,000 of debt) overwhelmingly benefit affluent Americans. President Biden departed from these more elitist proposals, yet his decision to forgive even a more limited amount is still puzzling. At a time when the economic returns to education are rising and the Democratic Party is losing noncollege voters, it makes little sense to target government aid to people who attended college.[4]

The noncollege workers who do not benefit from the President's plan are certainly in greater need of support than student loan borrowers.

The paper goes on to examine the question of why the Democratic Party — traditionally the party of working-class people — has become so focused on canceling student loans. One possibility is that Democratic lawmakers are ensconced in a D.C. bubble. The nation's highest student loan balances are found in Washington, and these borrowers would benefit more from President Biden's forgiveness plan than borrowers in 49 out of 50 states. In short, many in the party establishment seem to be conflating the problems of highly educated college graduates — an elite class of Americans — with those of working-class people.

This is not to deny that the cost of college has become a significant problem in recent decades. Over the past 19 years, consumer prices have risen 59%, and per capita personal incomes have doubled (in nominal dollars).[5] By contrast, prices for college textbooks have risen 122%, and college tuition (net of grant aid) has gone up 124%.[6] This means that a typical family would have found it more difficult to finance a college education in 2022 than in 2003. Some students understandably forego college entirely, while those who attend are stuck with high bills.

Unsurprisingly, many households have turned to the student loan system. Between the first quarter of 2003 and the fourth quarter of 2022, student loan debt held by consumers increased from $392 billion to $1.6 trillion (in inflation-adjusted dollars).[7] Student loans also rose from 3.3% of all consumer debt to 9.4% over the same period.[8]

However, the financial burdens of college do not justify widespread student debt relief. If funded through higher taxes, the costs of student loan cancellation will be borne by taxpayers; if funded through higher borrowing, loan cancellation will increase economic demand, thereby raising prices for consumers. Either way, the cost of student debt cancellation will fall on members of the general public, most of whom do not have four-year degrees.

There are better ways of helping working-class Americans. As the Progressive Policy Institute (PPI) has advocated, the government should invest more in apprenticeships, job training, and career pathways for noncollege workers, who generally have lower wages than college-educated workers.[9] Lawmakers should also dramatically increase the size of the Pell Grant (thus helping students from low-income families) and craft policies aimed at reducing administrative bloat at universities (which would reduce expenses and thus tuition). These policies would boost the employment and wages of noncollege workers while also making college more affordable for ordinary families.

It's no secret that Democrats have lost support among working-class voters in recent elections.[10] Forgiving student debt only reifies the image of Democrats as beholden to the interests of the educational elite. Until the party puts forth pragmatic solutions to the pocketbook issues facing ordinary people, they are likely to continue losing ground among the exact voters Democrats claim to support.

WHO BENEFITS FROM STUDENT LOAN FORGIVENESS?

Many college students take out student loans. Approximately 55% of students in four-year programs have loans when they graduate, and upon graduating, they have average debt of $28,400.[11]

However, *current* holders of student loans are a small minority of the population. Just 17.4% of adults have student loans, and a large fraction of their debt is held by a small number of borrowers.[12] Fully 45% of all federal student debt is held by 10% of borrowers (less than 2% of the adult population), and 37% of federal student loans are held by 7% of borrowers (roughly 1% of the adult population).[13] Widespread student loan forgiveness would disproportionately benefit a very narrow slice of the American population.

Nevertheless, some members of the Democratic Party have become laser-focused on helping student borrowers. Ever since Senator Elizabeth Warren (D-Mass.) announced a plan to forgive $50,000 of student debt during the 2020 presidential campaign, prominent Democratic politicians have staunchly and loudly defended widespread student loan cancellation.[14] Senate Majority Leader Chuck Schumer (D-N.Y.) has called student debt relief "one of the most important things we can do," and Representative Alexandria Ocasio-Cortez (D-N.Y.) has deemed the mere existence of student debt "immoral."[15]

From the standpoint of equality, however, it's not clear why student loans should be privileged in this way. The question of who benefits from universal or near-universal student debt forgiveness has been widely studied, and the answer is that it would disproportionately benefit affluent Americans:

- **Annual income:** Looney (2019) finds that the top fifth of income-earners hold 35% of all federal student loans, whereas the bottom fifth hold just 15%.[16] Forgiveness of all federal student loans would give more than twice as much to Americans in the top fifth of the income distribution as to those in the bottom fifth.

- **Lifetime income:** Catherine and Yannelis (2021) examine the effects of student loan forgiveness based on total lifetime income.[17] Unlike other analysts, they account for the fact that certain loans are expected to be forgiven under current law.[18] For example, if a borrower has $4,000 of student loan debt but is expected to have $1,000 forgiven by current policies, Catherine and Yannelis count the borrower as receiving $3,000 of additional aid from universal forgiveness

  Their study finds find that universal student loan forgiveness would give $6,267 to the top tenth of income-earners and just $1,276 to the bottom tenth.[19] Forgiving $50,000 of student debt would give $4,223 to the top tenth of income-earners and just $886 to the bottom tenth.[20]

- **Wealth upon entering retirement:** Dettling, Goodman, and Reber (2022) find that families who take out student loans enter retirement with roughly the same wealth as college-educated families who never take out student loans.[21] However, they find that both groups enter retirement with far more wealth than families without college educations.[22]

- **Parental income:** Some progressives contend that student loan forgiveness is a matter of intergenerational justice — that even if borrowers earn high incomes throughout their own lives, their borrowing is indicative of how little their parents earned. For example, Rep. Ocasio-Cortez has tweeted: "Very wealthy people already have a student loan forgiveness program. It's called their parents."[23]

Looney (2021) shows that the exact opposite is true: Children of low-income parents borrow the least, and children of high-income parents borrow the most.[24] As Looney notes, there are many reasons why children from lower-income families take out less student debt: they attend less expensive schools; they qualify for more need-based financial aid; they are more likely to drop out; and they are less likely to attend graduate school.[25] Another possibility is that parental income acts as a security blanket for students considering taking out loans: Children from affluent families know they can turn to their parents if they struggle to repay their loans, whereas the children of the poor don't have that privilege.

Looney (2021) also sheds light on another argument proffered by universal forgiveness advocates, which is that student loans have become so burdensome that some Americans are still repaying them in old age.[26] This is surprising, given that the standard repayment schedule for student loans is only 10 years, and even income-driven repayment plans (with lower monthly payments) require at most 20 or 25 years of repayments.[27] However, Looney shows that the entire difference in borrowing between low- and high-income families is attributable to rich families taking out more Parent PLUS loans — a type of loan held by the borrower's parents rather than the borrower themself.[28] When combined with Dettling et al.'s finding that "the debt held by older families largely finances someone else's education," it appears that older Americans with student loans are mostly affluent parents funding their children's educations.[29]

Many disparate measures show that progressives' demand for widespread student loan forgiveness would disproportionately benefit affluent Americans. Regardless of whether individuals (or families) are ranked according to their annual income, their total lifetime income, their wealth upon entering retirement, or their parental income, student loan forgiveness provides the largest benefits to the most fortunate people.

Given these realities, it is little wonder that President Biden did not fall in with progressive demands for unlimited student loan forgiveness. His plan is less regressive because it is income-tested and caps the amount of forgiveness borrowers can receive. Nonetheless, it would still cost U.S. taxpayers roughly $400 billion in lost revenues, not a penny of which would go to the less privileged majority of Americans who never attended college in the first place.

PRESIDENT BIDEN'S MORE LIMITED FORGIVENESS SHOWS THE DIFFICULTIES OF MAKING STUDENT LOAN RELIEF PROGRESSIVE

Last August, President Biden signed an executive order eliminating approximately $400 billion of federal student loan debt.[30] His plan differed from universal forgiveness in three key ways described below. Due to these differences, the Biden plan — which is currently on hold due to legal challenges[31] — gives less to the very richest Americans than universal forgiveness. However, as explained at the end of this section, prioritizing student debt over other pocketbook issues is the wrong move for lawmakers interested in supporting the middle class. The best policy framework for helping working-class families is not to tweak one's student debt forgiveness plan, but rather to focus on issues other than student debt entirely.

Difference #1: President Biden's $10,000 cap

President Biden's plan would forgive up to $10,000 of federal student loans per borrower.[32] This limit addresses one of the paradoxes of student loans: Borrowers struggling with repayment often have lower-than-average debt. For example, borrowers with low credit scores usually have less student debt than borrowers with high credit scores. As of 2021, borrowers with credit scores below 660 had an average student loan balance of $33,071, while borrowers with credit scores of 760 or higher had an average balance of $42,455.[33] Similarly, defaulting borrowers have less student debt than the average borrower: The average balance on defaulted loans is $21,700, compared to $33,500 for all outstanding loans.[34]

Nevertheless, because low-income people are much less likely to hold student loans, even $10,000 of forgiveness still disproportionately benefits upper-income households. Table 1 shows that $10,000 of forgiveness (without an income cap) is less skewed towards the rich than more generous forgiveness plans, but nonetheless provides roughly $3.60 of aid to the highest-income households for every $1 going to the lowest-income households.

TABLE 1. LIMITED STUDENT DEBT CANCELLATIONS ARE LESS REGRESSIVE THAN MORE GENEROUS CANCELLATIONS, BUT THEY STILL BENEFIT THE RICH MORE THAN THE POOR

NET BENEFITS FROM DIFFERENT MAXIMUM AMOUNTS OF STUDENT LOAN FORGIVENESS

MAXIMUM FORGIVENESS	BENEFITS TO THE LOWEST 10% OF INCOME-EARNERS	BENEFITS TO THE TOP 10% OF INCOME-EARNERS	DIFFERENCE	BENEFITS TO THE TOP 10% FOR EVERY $1 TO THE BOTTOM 10%
$10,000	$386	$1,391	$1,005	$3.60
$50,000	$886	$4,223	$3,337	$4.77
UNLIMITED	$1,276	$6,267	$4,991	$4.91

Source: Catherine and Yannelis, "The Distributional Effects," p. 36. Maximum forgiveness amounts are per borrower, but average benefits are per household, with households ranked by total lifetime income.

By eliminating $10,000 of debt per borrower, President Biden would wipe out most of the debt held by the borrowers at greatest risk of default.[35] He would do so while still requiring that medical school graduates, law school graduates, and other affluent Americans with significant student debt pay back most of their loans themselves. This suggests that $10,000 of forgiveness is preferable to elimination of all student debt, but it does not answer the question of why the government should cancel student debt rather than other kinds of debt. Nor does it explain why the government should prioritize debt forgiveness of any kind over policies directly targeted towards working-class people.

Difference #2: Limiting student loan forgiveness to individuals making less than $125,000

Under President Biden's plan, only individuals making less than $125,000 and couples making less than $250,000 are eligible for forgiveness. Although these income caps are better than nothing, they are so high as to include 19 out of every 20 student loan borrowers.[36] As points of comparison, in 2021, median per capita income in the U.S. was $37,522, and median family income was $88,590.[37] Under President Biden's plan, individuals and couples earning roughly three times as much as the typical American could receive up to $10,000 or $20,000 of student loan forgiveness. These exceptionally high income caps mean that even extremely well-off households can still reap substantial benefits (on the taxpayer dime) from President Biden's plan.

Difference #3: An extra $10,000 for former Pell Grant recipients

Under President Biden's plan, former Pell Grant recipients can receive up to $20,000 of student loan forgiveness. This provision is well-targeted toward struggling Americans: Roughly 7 out of 8 borrowers who default on their loans are former Pell Grant recipients.[38]

Except for students in certain teaching certification programs, only undergraduate students can receive Pell Grants.[39] Eligibility is based on a combination of a family's income, assets, number of people, number of college students, and other factors; grants are only given to students experiencing severe financial need.[40] Just 30% of undergraduate students receive Pell Grants, and most recipients come from families making less than $30,000 per year; fully 94% come from families making less than $60,000.[41] President Biden's decision to double the amount of forgiveness for former Pell Grant recipients will mostly benefit Americans with low-income parents.

The Department of Education has not published data on debt holdings for former Pell Grant recipients. Nor have academics studied this provision in serious depth. As such, aside from the evidence that former Pell Grant recipients are disproportionately from lower-income families and are at disproportionate risk of default, it is not clear exactly how this provision will affect the overall picture of who benefits from President Biden's plan.

But why forgive student loans at all?

Relative to progressive demands to forgive all student debt, President Biden's proposal is both less costly and less of a handout to the most extremely affluent Americans. It would cancel roughly one-quarter of all federal student debt, and by limiting forgiveness to $10,000 (or $20,000 for former Pell Grant recipients), it would help borrowers with low balances who are at the highest risk of defaulting. However, it would *also* provide generous relief to high-income households, including households earning two or three times as much as the average American. Furthermore, the plan costs the taxpayer $400 billion while not directing any of that relief to the least-fortunate Americans — those who never attended college at all.

Moreover, comparing the Biden plan to more generous forgiveness plans advocated by progressives misses a broader point: Most low-income people don't have student loans, so for policymakers interested in reducing economic inequality, student debt is the wrong issue to focus on.

Table A-1 in the appendix shows that debt (not just student debt) is held disproportionately by high-income, high-wealth families. While it may seem counterintuitive that the rich are more indebted than the poor, there are simple reasons for this: Creditors are more likely to give loans to financially secure people, and financially secure people are more likely to feel comfortable taking on loans. Debt forgiveness therefore generally helps the rich more than the poor.

If policymakers nevertheless insisted on crafting a progressive debt forgiveness plan, it would make more sense to target medical debt. Table 2 shows that low-income households hold more medical debt than high-income households, whereas the reverse is true for student loans. (Table 2 merely compares the distributional effects of forgiving medical debt with forgiving student loans; PPI does not endorse medical debt forgiveness.)

TABLE 2. MEDICAL DEBT, UNLIKE STUDENT DEBT, IS HELD DISPROPORTIONATELY BY THE POOR
AVERAGE STUDENT LOANS AND MEDICAL DEBT HOLDINGS, BY HOUSEHOLD INCOME QUINTILE, 2020

ANNUAL HOUSEHOLD INCOME	STUDENT LOANS	MEDICAL DEBT
BOTTOM 20%	$3,321	$3,600
SECOND 20%	$4,586	$2,709
MIDDLE 20%	$7,445	$3,220
FOURTH 20%	$10,885	$2,074
TOP 20%	$13,233	$1,790
ALL HOUSEHOLDS	**$7,876**	**$2,671**

Source: Author's calculations based on data from the U.S. Census Bureau, "Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2020," last revised August 31, 2022, https://www.census.gov/data/tables/2020/demo/wealth/wealth-asset-ownership.html. The Census Bureau's tables exclude the 1% of households with the highest total debt.

It's true that medical debt, unlike student debt, is not held by the government. There is an arguable (if doubtful) case that President Biden can legally bypass Congress to forgive federal student loans, whereas policies targeted to low-income Americans would require legislation.[42] Yet this merely explains why forgiving student loans is easy; it does not mean it is fair.

PRESIDENT BIDEN'S IDR REFORMS PROVIDE UNNECESSARY BENEFITS TO UPPER-INCOME AMERICANS

Under current law, struggling borrowers can get help with their student loans by enrolling in an income-driven repayment (IDR) plan. Rather than paying a fixed amount each month, IDR borrowers pay a percentage of their income above a certain threshold. Borrowers make payments every month until they have paid off their loans, up to a maximum of 20 years (or 25 years for some graduate students).[43] Borrowers who have not paid off their loans by that time have their remaining balances forgiven. Table A-2 in the appendix summarizes the major provisions of the most common IDR plans for undergraduate borrowers.

Considering the high costs of a college education and the difficulty students face in predicting their future incomes, it makes sense to offer relief to low-income borrowers. They are unfairly stuck paying back loans even when their educations sometimes don't produce a real payout. There is certainly room to expand and improve existing IDR policies, which enroll about a quarter of all undergraduate borrowers.[44]

However, IDR plans were not designed as a full-on handout to student borrowers. In fact, because they make payments for more years, some IDR enrollees pay more than they would under the standard repayment schedule.[45] IDR plans therefore serve a dual purpose: they allow lower monthly payments for borrowers who need extra time to pay off their loans; and they forgive existing balances for people who have spent at least 20 years in repayment.

President Biden recently proposed four changes to the *Revised Pay as You Earn (REPAYE)* plan which would turn IDR into an excessively generous subsidy for most borrowers. The Congressional Budget Office estimates that the president's plan would increase student borrowing by 12% and would cost the federal government $275 billion between 2023 and 2033.[46] (The administration projects that its plan would cost $138 billion, but their estimate does not account for the effects of increased borrowing.[47]) The four changes are:

- Under the current REPAYE plan, the government forgives half of borrowers' unpaid interest each month.[48] For example, if a borrower owes $150 of interest but only pays $100, the government writes off $25. Under President Biden's proposal, the government would write off all unpaid interest.[49]
- Under the current REPAYE plan, borrowers pay 10% of their discretionary income each month — with *discretionary income* being defined as *income above 150% of the federal poverty line (FPL).*[50] The FPL is currently $14,580 for a single person, meaning that borrowers earning less than $21,870 owe nothing.[51] President Biden would raise this threshold to 225% of the FPL, equivalent to $32,805 for a single individual in 2023.[52] (The FPL rises with inflation each year.[53])
- Under President Biden's revised REPAYE plan, borrowers would pay just 5% rather than 10% of their discretionary income.[54]
- Under current law, undergraduate borrowers have their outstanding balances forgiven after 20 years of repayments; depending on which IDR plan they are in, graduate borrowers have their balances forgiven after either 20 or 25 years.[55] President Biden's plan would also cancel outstanding balances for undergraduate borrowers after 20 years

and for graduate borrowers after 25 years.[56] However, the president's plan would create earlier forgiveness dates for borrowers who took out relatively low amounts of debt. Students who initially borrowed $12,000 or less would have their balances canceled after ten years, with the date of cancellation moving back one year for every $1,000 of additional borrowing.[57] For example, individuals who borrowed $17,000 could receive forgiveness after 15 years, and individuals who borrowed $20,000 could receive forgiveness after 18 years.

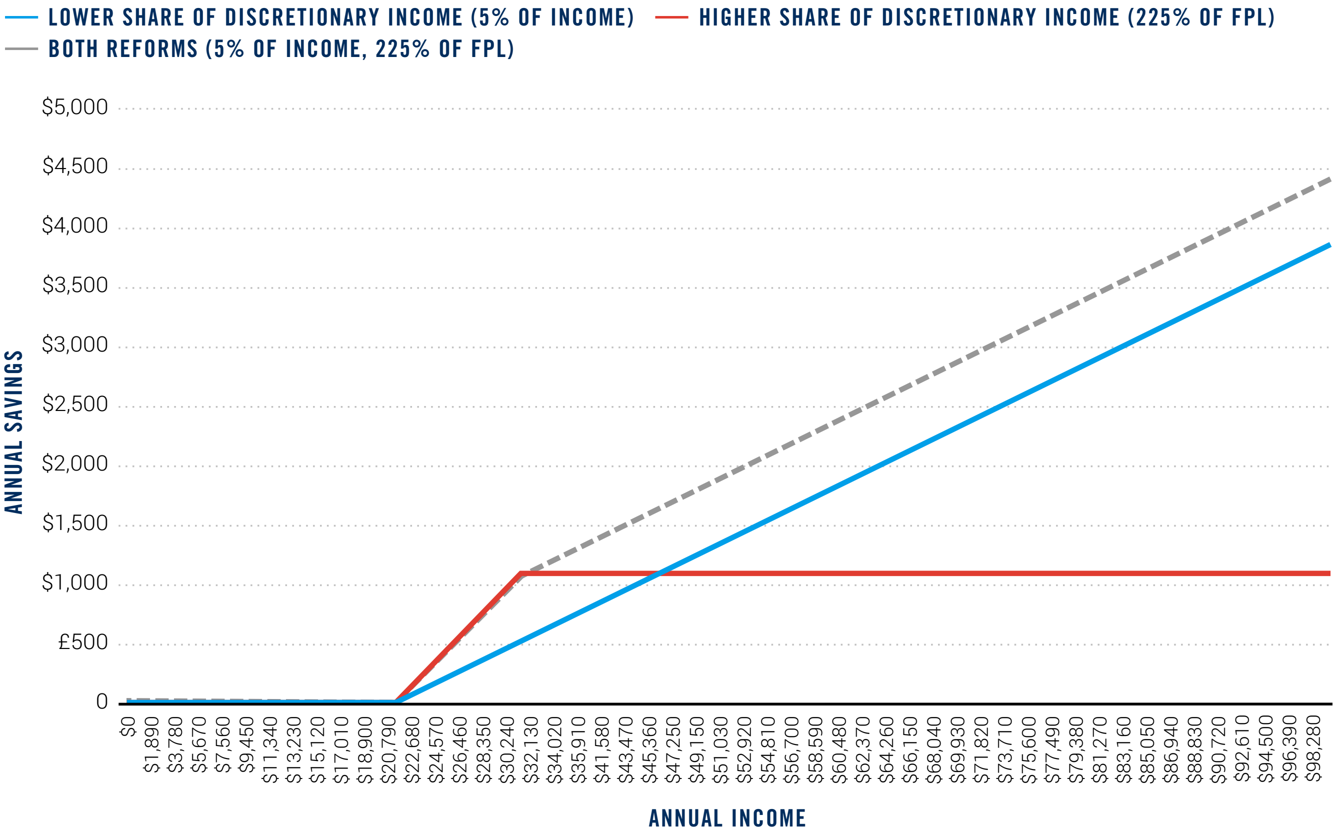
Borrowers typically pay back half or more of their loans under current IDR plans; under Biden's plan, that percentage would likely fall. The Urban Institute estimates that under current IDR policies, a college graduate who borrows $31,000 has a 59% chance of paying back her entire loan; under the Biden plan, that would fall to just 22%.[58] Similarly, the likelihood that a borrower would pay back less than half her loan would jump from 22% to 49%.[59]

If enacted by itself, forgiveness of unpaid interest would likely help low-income borrowers the most. For example, in a typical month, students who borrowed $30,000 would receive interest forgiveness only if they earned less than $31,057 per year.[60] (While this provision would probably help low-income borrowers the most, it would also help some high-income borrowers who have large balances and thus have high interest payments. Due to interactions with other reform provisions, high-income borrowers would benefit more from interest forgiveness under the Biden plan than if a similar provision were added to current law.[61])

Early cancellation would also disproportionately help the neediest borrowers. Students taking out large loans to finance graduate degrees or expensive, high-quality undergraduate educations would rarely benefit from early cancellation. On the other hand, according to the Department of Education, 85% of community college borrowers would be debt-free after 10 years under the Biden REPAYE plan.[62] Because dropouts, community college students, and other disadvantaged Americans often struggle to repay even small balances, they would benefit the most from Biden's early cancellation provision.

However, President Biden's other two reforms would provide no support to the very lowest-income borrowers. Raising the discretionary income threshold to 225% of the FPL provides zero relief to individuals making under $21,870, moderate relief to individuals making between $21,870 and $32,805, and $1,094 to individuals making above $32,805. Cutting the repayment rate from 10% to 5% is even more regressive; by definition, this reform provides greater benefits to those with higher incomes.[63] Figure 1 below compares the savings to borrowers from these two proposals, showing that whereas the higher discretionary income threshold helps both middle- and high-income borrowers, the lower repayment rate provides the greatest benefits to those with the highest incomes.

FIGURE 1: PAYING A LOWER SHARE OF DISCRETIONARY INCOME HELPS HIGH-INCOME BORROWERS THE MOST
SAVINGS TO SINGLE STUDENT LOAN BORROWERS FROM TWO OF PRESIDENT BIDEN'S REPAYE REFORMS, 2023



Source: Author's calculations

Finally, these two reforms would be more skewed to high-income borrowers than the sum of their parts. For example, if the repayment rate were dropped from 10% to 5% without any other changes, a borrower earning $30,000 would save $406.50 per year; however, with the discretionary income threshold being raised, only borrowers making above $32,805 would benefit from the lower repayment rate. Ultimately, *only upper-income borrowers* can benefit from *both* the higher income threshold and the lower repayment rate simultaneously. (The dashed gray line in Figure 1 shows the effect of implementing the two reforms together.)

Notably, these two provisions cost $7 for every $1 going to interest forgiveness and early cancellation of balances.[64] In other words, most of the costs of the Biden plan are for the provisions least likely to help needy borrowers.

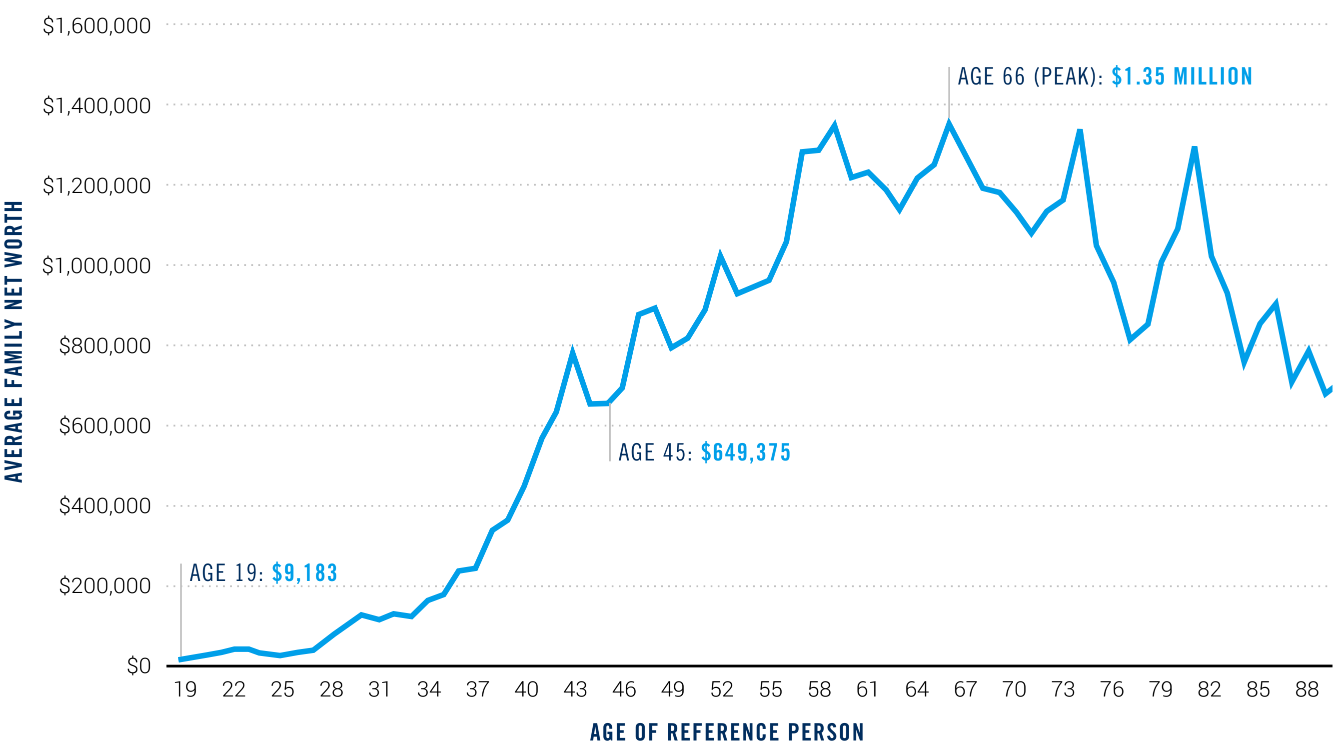
PORTRAYING WIDESPREAD STUDENT LOAN FORGIVENESS AS PROGRESSIVE IS HIGHLY MISLEADING

Although most metrics show that student loan forgiveness helps relatively well-off people, some left-wing pundits have argued that even widespread cancellation would be a win for disadvantaged Americans. Commentators advancing this claim have frequently cited[65] a paper from the Roosevelt Institute (a progressive think tank) titled: "Student Debt Cancellation IS Progressive: Correcting Empirical and Conceptual Errors."[66] Despite the paper's title, its main conclusions are themselves a product of three conceptual errors.

First, when determining who counts as rich and who counts as poor, the paper ranks households by *point-in-time wealth* — that is, a household's wealth right now. The authors call this "the most profound [point] yet" and note that it is a key driver of their results.[67]

The problem with using point-in-time wealth is that wealth is largely a function of age since it is accrued over time. As shown in Figure 2 below, a significant portion of wealth inequality reflects disparities in wealth at different points in the same individual's life — not differences *between* individuals. (Table A-3 in the appendix shows a similar pattern for median wealth.)

FIGURE 2: WEALTH IS LARGELY DETERMINED BY AGE
2019 AVERAGE FAMILY NET WORTH, BY AGE OF REFERENCE PERSON



Source: Author's calculations based on 2019 data from the Federal Reserve Board. Net worth is displayed as a weighted three-year moving average by age.

Indeed, many of the country's least-wealthy people are young professionals who have accrued significant student debt (which counts as negative wealth) yet will go on to high-paying, fulfilling careers. As economics writer Matthew Yglesias has pointed out, the people with the most student loan debt are recently-credentialed doctors, dentists, pharmacists, and lawyers.[68] Student loan forgiveness benefits people at the bottom of the wealth ladder not because such people are disadvantaged, but because even relatively privileged people don't have much wealth at the beginning of their careers.

The paper's second error is that it measures borrowers' debts as a share of their incomes. By this metric, even the hypothetical forgiveness shown in Table A-4 in the appendix would be thought to help the poor more than the rich. However, this finding is attributable more to the low incomes of the poor than to the generosity of the forgiveness provided to them. (The Roosevelt Institute presents two estimates showing that, when measured in dollar terms, student loan relief gives the least aid to the lowest-income households.[69])

Third, the paper focuses too exclusively on the very topmost rungs of the economic ladder. For example, Figure 5 on page 14 of the paper shows the impacts, by race and income, of forgiving up to $50,000 of federal student loans. The figure shows that such forgiveness provides almost no benefits to the poor, and gives large benefits to people higher up the income scale. But benefits taper off right at the *very top* of each racial income distribution, leading the authors to conclude that student loan forgiveness is "progressive." This is a departure from the normal definition of *progressive,* which in other contexts refers to programs that provide more generous benefits to people with lower incomes.

CONTROLLING FOR AGE IS A POOR SUBSTITUTE FOR A LIFETIME WEALTH DISTRIBUTION

The Roosevelt Institute authors counter arguments about the flaws with point-in-time wealth by controlling for age in some of their estimates. The authors note that "the distribution of debt cancellation remains progressive if one compares cancellation between household asset quantiles among people of the same age" (pg. 11).

Yet using a *point-in-time asset distribution and controlling for age* is not the same as *using a lifetime asset distribution.*[103] For example, consider three 26-year-olds, one of whom has a high school degree, the second of whom has a BA, and the third of whom just graduated from dentistry school (which lasts four years). The Roosevelt Institute would classify the high school graduate as the richest 26-year-old (since he has had 8 years to accrue assets), the BA-holder as falling in the middle (since she has had 4 years to accrue assets), and the newly-minted dentist as having the lowest wealth (0 years spent accruing assets). Among the young, current wealth is a poor measure of lifetime wealth. And forgiving the dentist's student loans is money that could instead be spent helping the high school graduate or his children.

The study's errors can be seen most clearly by contrasting its results with those of Catherine and Yannelis (2021). They note that low-wealth households with significant student debt often have high incomes, which accords with the fact that young doctors and dentists have the most student debt.[70] Their data show that forgiveness of all student loans would provide more than 17 times as much aid to high-income, low-wealth households as to low-income, low-wealth households. (See Table 3 below.)

TABLE 3. UNIVERSAL STUDENT LOAN FORGIVENESS WOULD MOSTLY BENEFIT HIGH-INCOME, LOW-WEALTH HOUSEHOLDS

NET BENEFITS RECEIVED FROM UNIVERSAL STUDENT LOAN FORGIVENESS, BY HOUSEHOLD WEALTH AND INCOME

	BOTTOM 25% OF WEALTH DISTRIBUTION	TOP 25% OF WEALTH DISTRIBUTION
BOTTOM 25% OF INCOME DISTRIBUTION	\$2,216	\$1,114
TOP 25% OF INCOME DISTRIBUTION	\$38,752	\$4,064

Source: Catherine and Yannelis, "The Distributional Effects," p. 41.

Catherine and Yannelis also show the pitfalls of focusing exclusively on the most extremely well-off households. They sort households into 10 separate groups ("deciles") from lowest to highest lifetime income and find that student debt rises in lockstep with income.[71] However, the one substantial exception to this rule is that student loan balances are lower for the highest income decile than for the second-highest decile.[72] The authors find that universal student loan forgiveness would confer \$1,276 to households in the bottom decile, \$8,274 to households in the second-highest decile, and \$6,267 to those in the top decile (which is similar to the average benefit for households in the fourth-highest decile).[73] These are remarkably similar to the results obtained by the Roosevelt Institute, yet because Catherine and Yannelis do not limit their focus to only the top two or three deciles, they correctly do not call such forgiveness "progressive."

PROGRESSIVE ELITES ARE OUT OF TOUCH WITH THE ECONOMIC STRUGGLES OF ORDINARY AMERICANS

As the evidence reviewed here plainly shows, there is no empirical basis for the claim that student loan forgiveness mainly benefits disadvantaged people. Why then do progressives continue making this claim?

One answer lies in the changing composition of the Democratic Party. In recent elections, the party has lost ground with non-college voters and has come to be dominated by a rising class of young, college-educated, affluent professionals whose economic and social views place them well to the left of the median voter.[74] Concentrated in coastal metros, these voters are highly active politically and over-represented in culturally powerful institutions like the media and entertainment industries, universities, and nonprofit foundations.[75]

These educational elites are the main constituency for student debt forgiveness. A new study in *Cambridge University Press* shows that richer Americans have recently shifted their support to the Democratic Party, and this shift has been strongest among the most educated of the rich.[76] The study notes that this change "may make it more difficult for the Democratic Party to execute an economically redistributive agenda…since it would have to redistribute away from voters in its own coalition."[77]

Data from the New York Federal Reserve lend credence to this hypothesis. As shown in Tables A-5 and A-6 in the appendix, average and median student loan balances are higher in D.C. than in any of the 50 states.[78] Similarly, Table A-7 shows that President Biden's $10,000 student loan forgiveness would benefit residents of D.C. more than residents of every state but Georgia. It seems that student loans are a more significant problem for the people interacting with federal lawmakers than for ordinary citizens.

In a fact sheet promoting student loan forgiveness, the Biden administration claimed that its plan would help "low- and middle-income borrowers."[79] The fact sheet went on to tout the benefits accruing to a hypothetical construction worker making $38,000 per year.[80] This was a dubious example of who benefits from student loan relief: Very few construction workers hold student loans, and the loans they do hold are relatively small.[81] Insofar as Democrats believe that construction workers and other blue-collar laborers would benefit from student loan forgiveness, it suggests that they have become disconnected from the everyday struggles of working-class Americans.

HOW TO REALLY HELP WORKING-CLASS FAMILIES

Instead of after-the-fact student loan forgiveness, Democrats should make higher education more affordable for low-income families. This could be done either by reducing the cost of college or providing more direct aid in the form of grants, stipends, and scholarships to low-income students. For example, PPI has previously called on lawmakers to enact a "Super" Pell Grant that would roughly double annual Pell Grant funding, thereby making college more affordable for low-income families.[82]

If enacted by itself, the Super Pell Grant would boost demand for higher education, thereby further increasing tuition. A larger Pell Grant should therefore be paired with cost-containment measures such as cuts to various tax subsidies. In 2017, the federal government spent $30 billion on higher education grants but also lost $30 billion to various higher education tax preferences.[83] Unlike grants, these preferences predominantly benefit upper-income Americans. Table A-8 in the appendix shows that Americans with above-median incomes receive about three-fifths of higher education tax credits;[84] these credits have zero effect on college enrollment but do boost graduation rates.[85] Table A-8 also shows that the tax deduction for student loan interest payments gives four-fifths of its benefits to the upper half of income-earners and just 2.9% of its benefits to the bottom quarter. Finally, Coverdell Education Savings Accounts (ESAs) and 529 education plans allow families to save after-tax dollars in accounts where their money grows tax-free. High-income families are more likely than low-income families to set up such accounts, and they also put more money into them.[86]

Multiple studies show that the tax savings from ESAs and 529 plans are highly regressive. Repealing most or all of these tax preferences would have little effect on low-income people, and it could partially offset the increased demand for college generated by the Super Pell Grant.

As PPI's Paul Weinstein has noted, public colleges and universities could reduce administrative bloat by cutting various nonfaculty staff positions.[87] Although professors still represent a plurality (33%) of university employees, Table A-9 shows that colleges and universities also employ 135,000 administrators (who have average annual earnings of $118,680), 104,000 artists, designers, and entertainers (including sports coaches), 83,000 counselors, and more than 55,000 "operations specialties managers" (who have an average wage of $121,800).

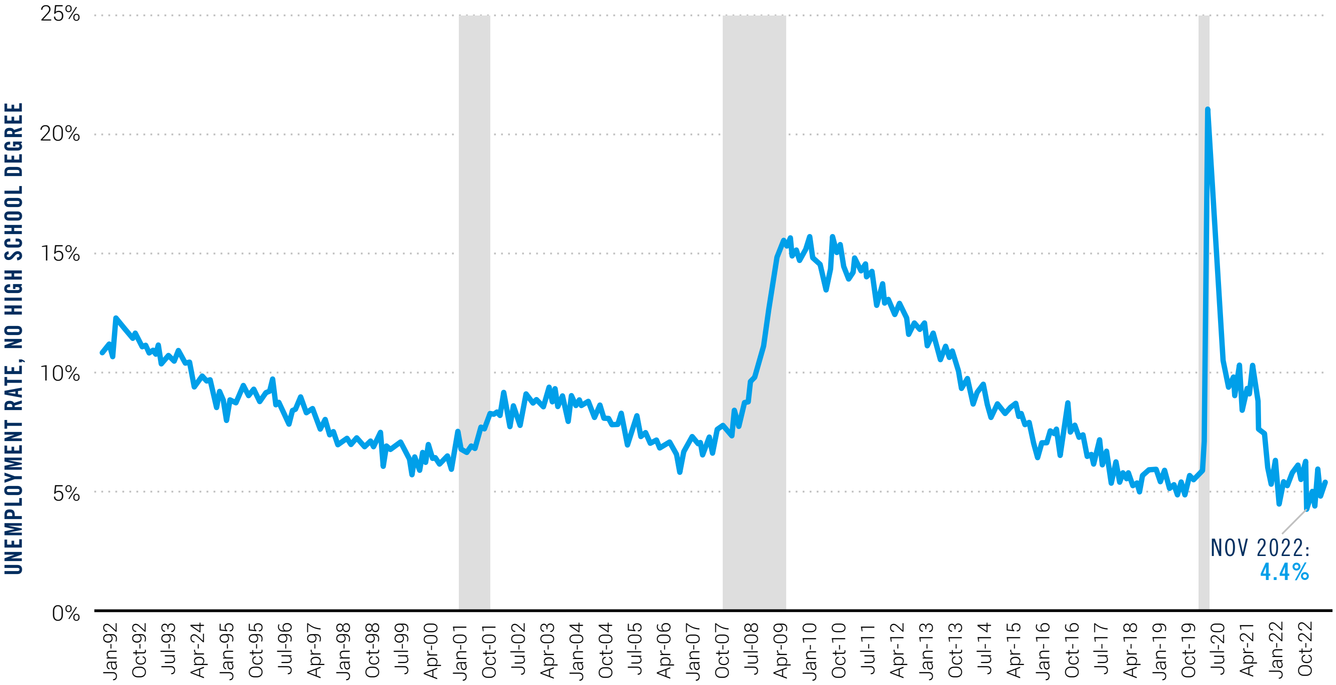
A second solution is to enact a broader set of reforms aimed at providing career pathways to noncollege workers.[88] This would be more equitable than forgiving student loans, as it would disproportionately help lower-paid workers without college degrees.

As PPI Director of Workforce Development Policy Taylor Maag has pointed out, the federal government spends roughly nine times as much on higher education as on workforce training and development, despite the fact that only 41% of Americans ages 25-54 hold a bachelor's degree.[89] Importantly, although workforce development policies have a spotty track record overall, many specific programs have shown promise.[90] For example, apprenticeships and job training (including publicly subsidized on-the-job training) appear to boost wages, as do programs that give workers a verifiable credential.[91] Moreover, workforce development helps the people who are least likely to pursue a four-year degree. Men are less likely than women to graduate from college,[92] but as Brookings scholar Richard Reeves documents in *Of Boys and Men,* career and technical education programs boost the earnings of less-educated men.[93] Similarly, the federal Job Corps program for less-educated young Americans appears to increase wages, employment, and the likelihood of obtaining a GED.[94] A pragmatic, evidence-based overhaul of workforce development programs — focused on expanding effective programs and eliminating ineffective ones — could improve the livelihoods of noncollege workers.

The people most at risk of defaulting on their student loans might well have benefited from a viable alternative to college. For example, as shown in table A-10 in the appendix, college dropouts have extremely high default rates, likely because they earn lower wages than college graduates.[95] Perhaps unsurprisingly, male borrowers also have higher default rates than female borrowers.[96] Finally, some for-profit schools have duped nontraditional students (such as veterans) into taking out exorbitant loans while providing them with low-quality educations.[97] For-profit institutions enroll just 9% of the country's postsecondary students, yet their graduates and dropouts are responsible for 46% of all student loan defaults.[98] If these frequent defaulters — men, dropouts, and attendees of for-profit colleges — had been given a feasible alternative to college, they might never have taken out student loans to begin with.

FIGURE 3: UNEMPLOYMENT FOR WORKERS WITHOUT A HIGH SCHOOL DEGREE REACHED ITS LOWEST DOCUMENTED RATE IN NOVEMBER 2022

SEASONALLY ADJUSTED UNEMPLOYMENT RATE, NO HIGH SCHOOL DEGREE, AGES 25 AND OVER, 1992-2023



Source: Bureau of Labor Statistics, Current Population Survey. Accessed May 26, 2023. Gray areas denote recessions as classified by the National Bureau of Economic Research.

The Biden administration has made a promising start on this front. The White House recently announced a set of proposals to help workers without four-year degrees, including the creation of various career training programs, registered apprenticeships, and technical education programs for blue-collar workers in advanced manufacturing, trucking, and construction.[99] This will further build on the progress that has been made during the recent labor market recovery. As shown in Figure 3 above, the unemployment rate for workers without a high school degree reached its documented all-time low in November of last year. (The data date back to 1992.) Although monthly unemployment rates fluctuate somewhat, since the beginning of this year, the unemployment rate has averaged 5.1% for workers without a high school degree and just 3.8% for workers with a high school degree but no college.[100] The Democratic Party should try to sustain and build on this progress instead of forgiving substantial amounts of student loans.

Third, *targeted* student loan forgiveness can help borrowers whose loans are out of proportion to their incomes. However, as noted in this paper, widespread student loan forgiveness provides unneeded aid to individuals who have benefited from high-quality educations, and it does nothing to make college more affordable for future generations. Student loan relief should be targeted towards individuals who have been hurt by the failings of the current system; at the same time, those failings should be corrected so that taxpayer-funded debt cancellations are not even necessary in the first place.

CONCLUSION: AVOIDING A $400 BILLION POLICY ERROR

PPI does not doubt that progressive Democrats sincerely believe that student debt forgiveness is a progressive measure, especially when left-wing think tanks oblige with inaccurate research to that effect. However, all objective measures show that widespread student loan relief predominantly benefits the affluent. Student loan borrowers make more income than the average American, enter retirement with more wealth than the average American, and even come from higher-income families than the average American.

President Biden's plan at least makes an effort to target student debt forgiveness for students from low-income families. However, it's still based on the dubious assumption that student loan borrowers are uniquely deserving of government aid, as opposed to Americans who have other forms of debt. The least privileged members of American society are the low-wage workers who never attended college. These workers are right to feel excluded by the Democratic Party when that same party's leader devotes hundreds of billions of dollars to a plan that ignores their economic struggles.

The president's two student loan proposals — his forgiveness plan and his IDR reform plan— are projected to cost a combined $630 billion.[101] This is a substantial sum, amounting to roughly $2,400 per adult.[102] There are far less expensive, more effective ways of helping jobseekers and low-wage workers. Congress could increase the Pell Grant for low-income families, expand worker training programs, and broaden access to apprenticeships. While not all these programs will be successful, specific versions of them have been shown to help men and disconnected youth — two of the groups most in need of a viable alternative to college. Skills-based programs could improve the economic prospects of noncollege workers, and they could curtail the student debt crisis by shrinking the pool of students at risk of dropping out or being scammed by for-profit schools. Over half the adult population lacks a college degree, and it is important that investments be made in these Americans as well.

Working-class voters face real, serious problems — including low wages, high inflation, inadequate health care coverage, and the disappearance of manufacturing jobs. Without unlimited resources, lawmakers must prioritize certain spending programs over others, and true working-class problems should always take precedence over student loan relief. Until Democratic lawmakers put working-class people at the top of their agenda, they are likely to continue shedding working-class votes.

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103 To account for the fact that loans themselves are counted as negative wealth, the Roosevelt Institute at times assesses progressivity along the asset distribution rather than along the wealth distribution. This distinction is not all that meaningful, given that young professionals who stay in school will also be at the bottom of the asset distribution. See: Eaton et al., "Student Debt Cancellation," p. 9, 11.

Appendix

TABLE A-1. DEBT IS HELD DISPROPORTIONATELY BY HIGH-INCOME AND HIGH-WEALTH FAMILIES
AVERAGE DEBT AND SHARE OF FAMILIES WITH DEBT, BY FAMILY INCOME AND FAMILY NET WORTH, 2019

	SHARE OF FAMILIES WITH DEBT	AVERAGE DEBT, FAMILIES WITH DEBT	AVERAGE DEBT, ALL FAMILIES
FAMILIES RANKED BY INCOME			
BOTTOM 20%	53.1%	$38,477	$20,413
SECOND 20%	72.5%	$57,269	$41,528
MIDDLE 20%	82.7%	$86,879	$71,890
FOURTH 20%	88.4%	$142,364	$125,910
NEXT 10%	88.7%	$227,134	$201,531
TOP 10%	84.0%	$422,423	$354,901
FAMILIES RANKED BY NET WORTH			
BOTTOM 25%	69.3%	$66,945	$46,373
SECOND 25%	79.6%	$89,072	$70,880
THIRD 25%	83.4%	$132,524	$110,558
NEXT 15%	76.3%	$186,021	$141,970
TOP 10%	71.1%	$412,653	$293,454

Source: "Survey of Consumer Finances: Excel Based on Public Data, Estimates in Nominal Dollars." 2022. Board of Governors of the Federal Reserve System. December 9. https://www.federalreserve.gov/econres/scfindex.htm.

TABLE A-2. PROVISIONS OF EXISTING AND PROPOSED INCOME-DRIVEN REPAYMENT PLANS

DESCRIPTIONS OF EXISTING INCOME-DRIVEN REPAYMENT PLANS FOR UNDERGRADUATE BORROWERS

	INCOME-BASED REPAYMENT (IBR) AND PAY AS YOU EARN (PAYE)	REVISED PAY AS YOU EARN (REPAYE)	BIDEN REVISED PAY AS YOU EARN PROPOSAL (BIDEN REPAYE)
PAYMENT AMOUNT	10% of discretionary income	10% of discretionary income	5% of discretionary income
DEFINITION OF DISCRETIONARY INCOME	Income above 150% of the FPL*	Income above 150% of the FPL*	Income above 225% of the FPL*
MAXIMUM PAYMENT	Amount owed under the normal repayment schedule	No maximum	No maximum
INTEREST ELIMINATION	None	Half of all unpaid interest is eliminated from the borrower's balance each month	All unpaid interest is eliminated from the borrower's balance each month
DATE OF LOAN FORGIVENESS	20 years of repayments	20 years of repayments	20 years of repayments**

Source: Congressional Budget Office, "Income-Driven Repayment Plans."
**FPL stands for "federal poverty line."*
***Earlier repayment would be available for borrowers who take out less than $22,000. See text for additional details.*

TABLE A-3. MEDIAN WEALTH IS LOWER THAN MEAN WEALTH, BUT BOTH RISE STEEPLY WITH AGE

MEAN AND MEDIAN FAMILY NET WORTH BY AGE OF REFERENCE PERSON, 2019

AGE	MEAN (AVERAGE) NET WORTH	MEDIAN NET WORTH
UNDER 35	$76,300	$13,900
35-44	$436,200	$91,300
45-54	$833,200	$168,600
55-64	$1,175,900	$212,500
65-74	$1,217,700	$266,400
OVER 74	$977,600	$254,800

Source: "Survey of Consumer Finances (SCF)," Board of Governors of the Federal Reserve System.

TABLE A-4. STUDENT LOAN GIVEAWAYS TO THE RICH CAN BE MISPORTRAYED AS BENEFITING THE POOR WHEN MEASURED AS A SHARE OF INCOME

STUDENT LOAN FORGIVENESS IN DOLLAR TERMS AND AS A SHARE OF INCOME FOR THREE HYPOTHETICAL BORROWERS

ANNUAL INCOME	AMOUNT OF STUDENT LOANS FORGIVEN	LOAN FORGIVENESS AS A SHARE OF INCOME
$15,000	$6,000	40%
$100,000	$30,000	30%
$200,000	$50,000	25%

Source: Illustrative examples created by author.

TABLE A-5. AVERAGE STUDENT LOAN BALANCES ARE HIGHEST IN D.C. AND LOWEST IN SOUTH DAKOTA

AVERAGE STUDENT LOAN BALANCE PER BORROWER, BY STATE AND REGION, FOURTH QUARTER OF 2021

	STATE	AVERAGE BALANCE
1	DISTRICT OF COLUMBIA	$53,769
2	MARYLAND	$42,543
3	GEORGIA	$41,826
4	DELAWARE	$39,238
5	VIRGINIA	$39,001
6	NEW YORK	$38,668
7	FLORIDA	$38,653
8	OREGON	$38,248
9	ILLINOIS	$37,869
10	CALFORNIA	$37,783
11	ALABAMA	$37,730
12	NORTH CAROLINA	$37,511
13	COLORADO	$37,235
14	NEW JERSEY	$37,003

	STATE	AVERAGE BALANCE
15	SOUTH CAROLINA	$36,698
16	ARIZONA	$36,682
17	CONNECTICUT	$36,391
18	MISSISSIPPI	$36,366
19	MICHIGAN	$36,221
20	TENNESSEE	$36,155
21	OHIO	$35,806
22	NEVADA	$35,688
23	MASSACHUSETTS	$35,400
24	PENNSYLVANIA	$35,349
25	MISSOURI	$35,095
26	WASHINGTON (STATE)	$34,846
27	LOUISIANA	$34,839
28	HAWAII	$34,608

	STATE	AVERAGE BALANCE
29	VERMONT	$34,595
30	IDAHO	$34,196
31	KANSAS	$33,954
32	RHODE ISLAND	$33,838
33	MAINE	$33,584
34	UTAH	$33,474
35	MINNESOTA	$33,161
36	KENTUCKY	$33,155
37	NEW HAMPSHIRE	$33,094
38	TEXAS	$32,998
39	NEW MEXICO	$32,944
40	MONTANA	$32,459

	STATE	AVERAGE BALANCE
41	WEST VIRGINIA	$32,214
42	OKLAHOMA	$32,102
43	INDIANA	$32,045
44	PUERTO RICO	$31,861
45	ARKANSAS	$31,851
46	NEBRASKA	$31,551
47	WISCONSIN	$31,482
48	WYOMING	$30,581
49	NORTH DAKOTA	$30,542
50	ALASKA	$30,427
51	IOWA	$29,845
52	SOUTH DAKOTA	$28,218

Source: Mangrum et al., "Three Key Facts."

TABLE A-6. MEDIAN STUDENT LOAN BALANCES ARE HIGHEST IN D.C. AND LOWEST IN PUERTO RICO
MEDIAN STUDENT LOAN BALANCE PER BORROWER, BY STATE AND REGION, FOURTH QUARTER OF 2021

	STATE	AVERAGE BALANCE
1	DISTRICT OF COLUMBIA	$26,530
2	GEORGIA	$21,965
3	MARYLAND	$21,779
4	VIRGINIA	$20,966
5	NORTH CAROLINA	$20,643
6	OREGON	$20,525
7	OHIO	$20,224
8	SOUTH CAROLINA	$20,000

	STATE	AVERAGE BALANCE
9	PENNSYLVANIA	$19,757
10	ALABAMA	$19,718
11	TENNESSEE	$19,714
12	NEW YORK	$19,647
13	DELAWARE	$19,636
14	CONNECTICUT	$19,561
15	COLORADO	$19,535
16	MICHIGAN	$19,412

	STATE	AVERAGE BALANCE
17	ILLINOIS	$19,391
18	NEW JERSEY	$19,253
19	FLORIDA	$19,246
20	MISSOURI	$19,240
21	KANSAS	$18,670
22	MINNESOTA	$18,645
23	VERMONT	$18,549
24	MASSACHUSETTS	$18,400
25	IDAHO	$18,339
26	WEST VIRGINIA	$18,273
27	KENTUCKY	$18,219
28	ARIZONA	$17,818
29	WASHINGTON	$17,781
30	HAWAII	$17,709
31	MAINE	$17,654
32	NEW HAMPSHIRE	$17,648
33	INDIANA	$17,642
34	MISSISSIPPI	$17,613
35	LOUISIANA	$17,588
36	NEBRASKA	$17,413
37	ARKANSAS	$17,303
38	WISCONSIN	$17,037
39	CALIFORNIA	$17,019
40	RHODE ISLAND	$17,014
41	TEXAS	$16,985
42	MONTANA	$16,924
43	NEW MEXICO	$16,923
44	IOWA	$16,750
45	OKLAHOMA	$16,729
46	NEVADA	$16,554
47	UTAH	$16,260
48	SOUTH DAKOTA	$15,865
49	NORTH DAKOTA	$15,738
50	ALASKA	$15,106
51	WYOMING	$14,634
52	PUERTO RICO	$12,645

Source: Mangrum et al., "Three Key Facts."

TABLE A-7. BIDEN'S STUDENT LOAN FORGIVENESS BENEFITS D.C. MORE THAN 49 OF 50 STATES
AVERAGE AMOUNT OF STUDENT LOANS FORGIVEN BY THE BIDEN PLAN, BY STATE OR REGION

	STATE	AVERAGE FORGIVENESS PER BORROWER	SHARE OF ADULTS WITH LOANS FORGIVEN	AMOUNT FORGIVEN PER ADULT
1	GEORGIA	$12,796	18.1%	$2,316
2	DISTRICT OF COLUMBIA	$13,003	17.1%	$2,224
3	OHIO	$12,536	16.8%	$2,106
4	SOUTH CAROLINA	$12,796	16.4%	$2,099
5	MISSISSIPPI	$12,685	16.2%	$2,055
6	PENNSYLVANIA	$12,574	15.7%	$1,974
7	SOUTH DAKOTA	$12,429	15.7%	$1,951
8	MINNESOTA	$12,134	16.0%	$1,941
9	MICHIGAN	$12,497	15.4%	$1,925
10	VERMONT	$12,350	15.4%	$1,902
11	MISSOURI	$12,479	15.2%	$1,897
12	LOUISIANA	$12,377	15.3%	$1,894
13	COLORADO	$12,082	15.6%	$1,885
14	INDIANA	$12,275	15.3%	$1,878
15	NORTH CAROLINA	$12,826	14.6%	$1,873
16	IOWA	$12,077	15.4%	$1,860
17	MAINE	$12,207	15.2%	$1,855
18	TEXAS	$12,030	15.4%	$1,853
19	KENTUCKY	$12,514	14.8%	$1,852
20	IDAHO	$12,149	15.2%	$1,847
21	MARYLAND	$12,057	15.2%	$1,833
22	NEBRASKA	$11,821	15.4%	$1,820
23	KANSAS	$12,125	15.0%	$1,819
24	NEW HAMPSHIRE	$11,828	15.3%	$1,810
25	TENNESSEE	$12,543	14.4%	$1,806

	STATE	AVERAGE FORGIVENESS PER BORROWER	SHARE OF ADULTS WITH LOANS FORGIVEN	AMOUNT FORGIVEN PER ADULT
26	RHODE ISLAND	$11,753	15.3%	$1,798
27	DELAWARE	$12,132	14.8%	$1,796
28	CONNECTICUT	$11,887	15.1%	$1,795
29	ALABAMA	$12,769	14.0%	$1,788
30	ARKANSAS	$12,415	14.2%	$1,763
31	NEW JERSEY	$11,849	14.8%	$1,754
32	OREGON	$12,384	14.1%	$1,746
33	VIRGINIA	$12,318	14.1%	$1,737
34	ILLINOIS	$12,222	14.1%	$1,723
35	WISCONSIN	$12,160	14.1%	$1,715
36	MASSACHUSETTS	$11,910	14.2%	$1,691
37	FLORIDA	$12,336	13.7%	$1,690
38	OKLAHOMA	$12,150	13.7%	$1,665
39	ARIZONA	$11,882	13.8%	$1,640
40	MONTANA	$12,210	13.4%	$1,636
41	NORTH DAKOTA	$11,853	13.8%	$1,636
42	WEST VIRGINIA	$12,620	12.9%	$1,628
43	NEW YORK	$12,116	13.2%	$1,599
44	NEVADA	$11,547	13.1%	$1,513
45	UTAH	$11,380	12.5%	$1,423
46	WASHINGTON	$11,868	11.9%	$1,412
47	NEW MEXICO	$12,125	11.6%	$1,407
48	CALIFORNIA	$11,658	10.9%	$1,271
49	WYOMING	$11,419	10.4%	$1,188
50	ALASKA	$11,499	10.1%	$1,161
51	HAWAII	$11,445	9.2%	$1,053

Source: Jacob Goss, Daniel Mangrum, and Joelle Scally, "Revisiting Federal Student Loan Forgiveness: An Update Based on the White House Plan," Federal Reserve Bank of New York: Liberty Street Economics, September 27, 2022, https://libertystreeteconomics.newyorkfed.org/2022/09/revisiting-federal-student-loan-forgiveness-an-update-based-on-the-white-house-plan/.
Note: Data are not available for Puerto Rico.

TABLE A-8. EDUCATION TAX PROVISIONS DISPROPORTIONATELY BENEFIT UPPER-INCOME AMERICANS
SHARE OF TAX UNITS VS. SHARE OF EDUCATION TAX BENEFITS, BY INCOME, 2022

	SHARE OF TAX UNITS	SHARE OF BENEFITS: EDUCATION TAX CREDITS	SHARE OF BENEFITS: STUDENT LOAN INTEREST DEDUCTION
SPECIFIC INCOME RANGES			
BELOW $30,000	25.4%	15.9%	2.9%
$30,000 TO $60,000	25.1%	25.0%	17.3%
$60,000 TO $100,000	19.9%	23.0%	35.4%
$100,000 TO $200,000	20.1%	33.0%	42.5%
$200,000 TO $500,000	8.0%	3.1%	1.9%
$500,000 AND OVER	1.5%	0.0%	0.0%
INCOME CUTOFF: $60,000			
BELOW $60,000	50.4%	40.9%	20.2%
$60,000 AND OVER	49.6%	59.1%	79.8%

Source: "Estimates of Federal Tax Expenditures for Fiscal Years 2022-2026," Joint Committee on Taxation, December 22, 2022, https://www.jct.gov/publications/2022/jcx-22-22/.

TABLE A-9. PROFESSORS ARE JUST ONE-THIRD OF UNIVERSITY EMPLOYEES
EMPLOYMENT AND WAGES AT COLLEGES, UNIVERSITIES, AND PROFESSIONAL SCHOOLS, SELECT PROFESSIONS, MAY 2022

	EMPLOYMENT	SHARE OF EMPLOYMENT	AVERAGE ANNUAL WAGE	MEDIAN ANNUAL WAGE
TEACHERS AND FACULTY	996,770	33.0%	$98,720	$80,550
ADMINISTRATORS	134,960	4.5%	$118,680	$100,720
ARTS, DESIGN, ENTERTAINMENT, SPORTS, AND MEDIA OCCUPATIONS	103,840	3.4%	$67,340	$55,240
ENTERTAINERS AND PERFORMERS: SPORTS AND RELATED WORKERS	*60,220*	*2.0%*	*$68,450*	*$52,040*
COUNSELORS	83,200	2.8%	$54,910	$50,280
EDUCATIONAL, GUIDANCE, AND CAREER COUNSELORS AND ADVISORS	*77,670*	*2.6%*	*$54,430*	*$50,030*
OPERATIONS SPECIALTIES MANAGERS	55,310	1.8%	$121,800	$104,750

Source: "Occupational Employment and Wage Statistics," U.S. Bureau of Labor Statistics, Accessed May 2, 2023, https://www.bls.gov/oes/data.htm.

TABLE A-10. NONGRADUATES AND ALUMNI OF FOR-PROFIT COLLEGES OFTEN STRUGGLE TO REPAY THEIR LOANS
DEFAULT RATES ON STUDENT LOANS BY AGE 33, BY GRADUATION STATUS AND TYPE OF SCHOOL

GRADUATION STATUS AND TYPE OF COLLEGE	DEFAULT RATES ON STUDENT LOANS
FOUR-YEAR PROGRAM (BACHELOR'S DEGREE)	
GRADUATES	12.6%
NONGRADUATES	35.9%
PUBLIC COLLEGES	21.4%
PRIVATE NONPROFIT COLLEGES	17.2%
PRIVATE FOR-PROFIT COLLEGES	38.8%
TWO-YEAR PROGRAM (ASSOCIATE DEGREE)	
GRADUATES	26.8%
NONGRADUATES	40.7%
PUBLIC COLLEGES	36.5%
PRIVATE NONPROFIT COLLEGES	20.0%
PRIVATE FOR-PROFIT COLLEGES	42.0%

Source: "Center for Microeconomic Data: Who Is More Likely to Default on Student Loans?," Federal Reserve Bank of New York, last updated November 20, 2017, https://www.newyorkfed.org/microeconomics/databank.html.

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