Twitter Thread by Marshall Steinbaum ■



Marshall Steinbaum ■
@Econ_Marshall

My wonderful @jainfamilyinst colleagues @laura_bmw & @Edi_Nilaj have released their new report "Student Debt and Young America," which pretty comprehensively demolishes many of the myths about who does and doesn't have student debt. https://t.co/y02KFosRQ3

Highlights to follow

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@jainfamilyinst @laura_bmw @Edi_Nilaj First of all, look at this one chart that tells you why the student debt crisis is happening: rising debt; stagnant income, and the gap has opened widest for minority borrowers.
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You look at that chart and you see the total failure of the human capital model to explain labor market outcomes, insofar as it even is a falsifiable social science hypothesis.
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Second, while it's true that total loan balances are increasing in income, student debt has increased most over time among the lowest-income groups. This tells you that student debt is becoming a marker of the disadvantaged rather than the advantaged.
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Third, balances on outstanding loans are rising over time, not declining. As I said in my last report, the student debt crisis is a crisis of non-repayment. This is why it's foolish to think the student debt is ever going to be paid back, whether it's cancelled now or not.
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Finally, the denouement of all of this: contrasting the number of debtors by outstanding loan amount (and census tract median income) versus the total amount of outstanding debt along those same dimensions. This bears a few tweets' consideration.
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First of all: there are lots more borrowers with small debts than with big debts, and there are more of those low-balance borrowers who live in lower-income tracts. Most debt, on the other hand, is held by high-balance borrowers **in low-income tracts**.
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The conventional wisdom says that because higher balances correlate with higher incomes, and most student debt is held by high-balance borrowers, then at least the majority of dollars of student debt don't need to be forgiven. That conventional wisdom is false.
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What you see in Figure 13 (added here again) is that the high debt loads are being born by high-balance borrowers **in low-income census tracts** (though not the lowest).
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It's unfortunate that the president has been advised by supposed "experts" who don't know the first thing about who has what amount of student debt and why. They should really be asked how they got the facts so wrong.
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One thing that's been documented in @jainfamilyinst's research is that student debt is so disproportionate among minority populations b/c labor market discrimination, institutional segregation, and the racial wealth gap mean they need more debt to attain higher status.
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We also know from the literature on residential segregation that middle-class Black people are more likely to live in poor neighborhoods than middle-class white people are.
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That could well be a factor in this evidence that the highest debt loads are held by high-balance borrowers in (relatively) low-income neighborhoods.
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Anyway, I would encourage you to read the full report, which contains significantly more than I've highlighted in this thread. tl;dr version is that everything that passes for conventional wisdom on student debt is wrong.
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https://t.co/y02KFosRQ3