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FORUM: DEBT

A "Multiracial Injustice": Americans' Changing Ideas About Borrowing for College

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Massachusetts Representative Ayanna Pressley was one of many progressive Democrats denouncing student debt as a "multigenerational, multiracial injustice" in the new millennium. She joined researchers, activists, and frustrated borrowers in pointing out that federal student loan programs disproportionately left people of color, especially women, drowning in college debt.[1]

That emphasis on the inequality interwoven into student loans represented a dramatic shift in public conversations about who should pay for higher education and how. Most campuses have had to charge tuition because college finances have historically been uncertain and reliant on many revenue sources, including fees. The assumption for much of the twentieth century has been that students, or their parents, should shoulder the costs of studying because degrees seemed to guarantee well-paying work. Lawmakers subsequently crafted policies on the expectation that Americans must pay for postsecondary schooling. But Democrats and Republicans only embraced lending after borrowing for homes, cars, and other consumer needs became more common during the Cold War. Student loans especially appealed to Great Society liberals trying to find covert, cost-effective ways to guarantee applicants of color equal opportunities to go to college. But those Democrats took inspiration from the New Deal mortgage program now recognized for worsening racial and gender inequities. The disparities linked to federal student loan programs did not become clear until Congress mandated more data be collected and released on them in 2008. Researchers, activists, and politicians (like Pressley) used that information to transform public conversations about who was struggling to afford college and who should pay for higher education after the Great Recession.[2]

Student loans were uncommon until the mid-twentieth century because they epitomized risk. College credits and degrees cannot be repossessed and sold to someone else if a borrower fails to pay. As such, only campuses tended to lend until the late 1950s. Other forms of student assistance, like jobs and scholarships, were far more common. Only 1 percent of Association of American Universities members lent in the Progressive Era. Those campuses' policies nonetheless established the basic parameters of the later federal student loan programs. Schools, for example, generally waited to charge interest and seek repayment until *after* a borrower

[1]Ayanna Pressley, June 16, 2002, Tweet, https://mobile.twitter.com/AyannaPressley/status/1537542030896680960 (accessed Apr. 28, 2023); Michael D. Shear, Jim Tankersley, and Zolan Kanno-Youngs, "Biden Gave in to Pressure on Student Debt Relief After Months of Doubt," *New York Times*, Aug. 26, 2022, https://www.nytimes.com/2022/08/26/us/politics/biden-student-loans.html (accessed May 1, 2023).

[2]Virginia Sapiro, "The Life Course of Higher Education Institutions: When the End Comes," working paper, Boston University, 2019, https://blogs.bu.edu/vsapiro/2019/02/28/when-the-end-comes-to-higher-education-institutions-1890-2019/ (accessed Apr. 28, 2023); Elizabeth Tandy Shermer, "Negative Dowry: Why Women of Color Owe More Student Debt," *The Gender Policy Report*, Feb. 22, 2023, https://genderpolicyreport.umn.edu/negative-dowry-why-women-of-color-owe-more-student-debt/ (accessed Apr. 28, 2023).

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graduated. That approach presumed that graduates would be earning enough to replenish the loan funds for future needy students. That generous provision actually made an inherently risky financial product even harder to recoup when students left campuses after dropping out or graduating.[3]

Those borrowing practices nonetheless continued during the 1920s when more Americans aspired to enroll in degree programs that seemed to guarantee well-paying jobs. But there were not equal opportunities to enroll, borrow, or work. Women, Jews, Catholics, citizens of color, and immigrants had a far easier time gaining admission to proprietary schools, which, historian Cristina Groeger has shown, are the forebearers to today's for-profits. White, Protestant men had more success enrolling in the more-established campuses then embracing the quota system. Those more privileged students also had more chances to borrow in order to pay for their degrees from the growing number of philanthropies, business associations, churches, and wealthy individuals willing to lend to undergraduates who seemed destined for the types of jobs that would enable them to settle their debts in just a few years.[4]

The longstanding expectation that students pay, in some way, for college because of their future earning potential shaped the first federal tuition assistance programs, even though those experiments did not include loans. Elite college presidents personally urged Franklin Roosevelt to consider a $30 million student loan fund in August 1933, when low enrollments, state funding cuts, and hesitant donors threatened to shutter public and private campuses nationwide. But student loans epitomized the risk that New Dealers sought to vanquish through their banking reforms and mortgage program rules. The president and his aides instead experimented with work-study, which paid destitute students for part-time work so that they could afford to pay for fees, books, and living expenses. New Dealers intended this program to keep young people between the ages of sixteen and twenty-five in school and working instead of being "on the dole" or competing with older Americans for full-time employment. Roosevelt's advisors presumed these young people would graduate with the degrees and skills for better future opportunities, which New Dealers recognized also improved the quality of the entire country's labor force. Similar reasoning drove many lawmakers' enthusiasm for the tuition assistance in the 1944 Servicemen's Readjustment Act. The now-revered G.I. Bill recognized that veterans had already earned these benefits; the country was indebted to them for their service. Liberals and conservatives still feared that veterans would laze in college instead of getting jobs. So Democrats and Republicans agreed that the "subsistence checks" for living expenses must be kept small, especially for married veterans whose wives they expected to work while their spouses studied.[5]

Work-study and G.I. Bill rules reflected how federal tuition assistance, like the later student loan programs, exacerbated the historic inequities that many Americans publicly decried in the 2020s. The Roosevelt administration allowed campuses to participate in both programs even if their admissions practices limited opportunities for Jewish, Catholic, female, and African American applicants. White, Protestant men were subsequently a large percentage of the 600,000 awarded work-study and the 2.2 million (out of 11 million) soldiers that used G.I. tuition benefits. Wealthier veterans, like future Senator Claiborne Pell (D-RI), could also afford to stay enrolled when rapid postwar inflation exceeded the often delayed or missing subsistence checks. The Veterans Administration more reliably paid campuses whose fee increases for all

[3]Rupert Wilkinson, Aiding Students, Buying Students: Financial Aid in America (Nashville, TN, 2005), 14–17, 28–45, 97-110; D. Bruce Johnstone, New Patterns for College Lending: Income Contingent Loans (New York, 1972), 1–12.

[4]Cristina Groeger, *The Education Trap: Schools and the Remaking of Inequality in Boston* (Cambridge, MA, 2021); Elizabeth Tandy Shermer, *Indentured Students: Why Government-Guaranteed Loans Left Generations Drowning in College Debt* (Cambridge, MA, 2021), 1–32.

[5]Shermer, *Indentured Students*, 33–116.

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students priced out civilians as higher education became even more important to finding salaried work.[6]

Even though the first federal experiments with tuition assistance presumed Americans would somehow cover the costs of their degrees, lawmakers did not embrace student loans until consumer lending became more common. The higher education bills introduced during and after the G.I. Bill's rollout instead tended to include small scholarships that could not cover all college costs. But these early Cold War proposals died in committee disagreements over desegregating schools, helping religious colleges, raising taxes, and increasing federal authority over education.[7]

Race, religion, states' rights, taxing, and spending almost derailed passage of the 1958 National Defense Education Act (NDEA), which included a small undergraduate loan program that maintained the expectation that undergraduates pay for college. Representative Edith Green, an Oregon Democrat with a lot of power on the education subcommittee, considered herself the champion of white, middle-class families. She supported small scholarships for graduate students because there was concern then that the country did not have enough PhDs, especially to staff universities before the first Baby Boomers began applying. But this former teacher insisted similar grants for undergraduates be replaced with federal support for campus loan funds, similar to those that wealthy schools had historically struggled to maintain. That approach retained campuses' power over enrollment and financial aid. Lawmakers, for example, allowed campuses with discriminatory admissions practices to use this federal tuition assistance (as they had with work-study and the G.I. Bill). Campus financial-aid officers had the power to award these $1,000-a-year, ten-year loans to any individual studying something related to defense. But that amount was not enough to cover the average cost of attending college, which, as later investigations revealed, meant campus personnel used this help as a part of financial-aid packages to compete against other universities for wealthy, athletic, or academically gifted applicants.[8]

Few questioned students graduating with debt by the late 1950s. By then, borrowing for homes, cars, and other household needs had become common. Several states, most notably New York, had also begun experimenting with encouraging bankers to lend to students. Voters also liked NDEA's loan program, which Congress renewed in the early 1960s.[9]

President John F. Kennedy stood out at the time for urging lawmakers to reconsider their eagerness to have young people borrow. College expenses, that Massachusetts Democrat warned, were "up nearly 90 percent since 1950 and still rising." The $1,800 needed annually for tuition seemed exorbitant when most families earned less than $5,600 a year. "Industrious students can earn a part of this," the president suggested. But families "cannot be expected to borrow $4,000 for each talented son or daughter that deserves to go to college," even if they had ten years to pay off it and the interest that accrued after graduation.[10]

President Lyndon Baines Johnson as well as his allies in Congress nonetheless embraced lending as a way to make sure that students, not the federal government, covered the costs of degrees by then needed for white-collar work. That policy partly reflected the tradition of having students pay, as Johnson had through loans and jobs when he studied at the Southwest Texas State Teachers College (now Texas State University). He had also overseen the New Deal work-study program in the Lone Star State. Borrowing seemed especially logical

[6]Ibid.; Suzanne Mettler, Soldiers to Citizens: The G.I. Bill and the Making of the Greatest Generation (New York, 2005).

[7]Shermer, *Indentured Students*, 117–63.

[8]Ibid.; Barbara Barksdale Clowse, *Brainpower for the Cold War: The Sputnik Crisis and National Defense Act of 1958* (Westport, CT, 1981).

[9]Shermer, *Indentured Students*, 117–63.

[10]Ibid.; John F. Kennedy, "Special Message to the Congress on Education," Feb. 6, 1962, 114 in *Public Papers of the Presidents of the United States: John F. Kennedy, 1962* (Washington, DC, 1963).

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in the mid-1960s because voters had become accustomed to paying overtime for basic needs, like housing. The U.S. had even seemed to evolve from a country of renters into a nation of homeowners because of the New Deal's federal mortgage program, which had guaranteed lenders repayment. That financial innovation had been cheaper (for the government, not aspiring homeowners) than a broad public housing program. That method of containing costs especially appealed to Johnson as his administration endeavored to build a Great Society and fight a War on Poverty at home while crusading against communism abroad.

Congress and the Johnson administration's choice to prioritize the new Guaranteed Student Loan Program (GSLP) in the 1965 Higher Education Act (HEA) worsened racial and gender inequities in a similar way to the federal mortgage program. Most textbooks laud that legislation for the first three titles' promise of direct investment in higher education, which would have helped stop the soaring tuition that had alarmed Kennedy. Liberals actually prioritized Title IV's student assistance options, which they considered a stealthy way to ensure equal opportunities to enroll. That help, particularly through GSLP, presumed students would eventually pay. But lawmakers gave little consideration to how much more low-income students, then and now more likely to come from families of color, would spend over time by borrowing. Liberals presumed that the 1964 Civil Rights Act would help increase access to the education needed for well-paying jobs. Borrowers, no matter their sex or race, would be able to pay back debts in just ten years because the Civil Rights Act also prohibited employment discrimination. Lawmakers did not worry about the debt incurred because there were limits on how much students could borrow through GSLP whose post-graduation interest charges were then below market rates. Young people from low-income families would also be eligible for the revived work-study opportunities and small grants that campus financial-aid officers could offer along with defense and GSLP loans in individually tailored financial-aid packages. But GSLP's implied guarantee, as with the mortgage program, was that bankers would be repaid because lawmakers wanted to create a new industry around these historically risky financial products, instead of substantially investing in campuses to keep tuition down.[11]

Republicans and Democrats did not express concern about how much money students, regardless of their race or sex, borrowed until the millennium's turn, including during HEA's contentious 1972 reauthorization. Historians usually deem that legislation progressive. Lawmakers fought bitterly over additions that assured equal access for women (now known as Title IX), as well as direct federal support for low-income students, the Pell Grants later named for the Rhode Island senator who championed them. Title IX did a lot to guarantee equal opportunities for women to go to college but could not assure them equal pay after graduation. Pell Grants also could not provide alumni with equal job opportunities in order to easily pay back the loans that Claiborne Pell assumed recipients would have to take out. He did not insist that the help that federal officials (not campus financial-aid officers) awarded should be enough to stop low-income students, whom he privately presumed would be largely African American, from going into debt. He even worked out a complicated formula with other lawmakers to tie direct federal support for campuses to the number of Pell recipients admitted, which would have kept costs down for everyone. Colleges, he insisted, would be encouraged to accept low-income applicants whose degrees would enable them to compete for good white-collar jobs. But Pell did not vehemently oppose the creation of the Student Loan Marketing Association in 1972, when law makers embraced this government-sponsored enterprise to make buying, selling, and profiting off student debt easier. The association, better known as Sallie Mae, was designed to entice more lenders to participate in GSLP, just as Fannie Mae had encouraged bankers to use the federal mortgage program.[12]

[11]Hugh Davis Graham, *The Uncertain Triumph: Federal Education Policy in the Kennedy and Johnson Years* (Chapel Hill, NC, 1984); Shermer, *Indentured Students*, 163–201.

[12]Shermer, *Indentured Students*, 202–41.

More students needed to borrow by the late-twentieth century when public pressure to tax and spend less decreased state and federal support for campuses. Tuition soared, as Kennedy had feared. Lenders subsequently offered risky private loans, not assured by GSLP, to make up the difference between what campuses charged and GSLP covered. Banks continued to offer those risky options as Congress experimented with guaranteed loans for parents, direct loans from the federal government, new repayment options, forgiveness for public sector workers, and tuition tax deductions at the millennium's turn. Those choices reflected the historic expectation that students pay for college, how common borrowing for basic needs had become, and that "every public official," as a college consultant explained, "[knew] that colleges and universities can raise tuition to compensate for state cutbacks." Borrowers, not the federal government, would have to repay those funds because lawmakers began revising bankruptcy rules in the 1970s. By the 2000s, student debt became one of the few burdens that cannot be discharged during bankruptcy.[13]

Experts and ordinary Americans really did not challenge the basic assumptions behind the inequities interwoven into student lending until the Great Recession, when most students and parents had to borrow for college. The many citizens writing to lawmakers for help since the 1950s had tended to blame themselves for struggling to afford higher education. Lawmakers ignored them until whistleblowers and state investigations in the mid-2000s raised serious concerns about this industry, particularly lenders' tendency to treat Black borrowers unequally. Congress demanded far more data be collected in HEA's 2008 reauthorization, which enabled researchers to get a better picture of the racial and gender disparities in federal policies that had always required less well-off Americans to borrow more for the same degrees. Those studies complemented Occupy Wall Street protestors in New York City's Zuccotti Park decrying the insurmountable debts incurred for housing, health, and education, as well as other protests and encampments that this amorphous group inspired.[14]

Research and activism changed public discussions of student debt and paying for college. Journalists covered protests and the new research highlighting how much more student debt burdened borrowers of color, especially women, because federal legislation (including the 1963 Equal Pay Act, 1964 Civil Rights Act, 1965 Higher Education Act, and the 1972 reauthorization of HEA) had not vanquished the wage gaps that still left women of color earning less than their white and male peers. Public conversations and protests spurred more Americans to see higher education as a basic need and to demand cancellation and tuition-free options, which Pressley and other progressive Democrats declared a matter of racial and economic justice.[15]

[13]Ibid., 242–87; John Lee and Sue Cleary, "Key Trends in Higher Education," *American Academic* 1 (Jun. 2004): 23.

[14]Shermer, *Indentured Students*, 288–302.

[15]Ibid.; Raj Chetty et al., "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," National Bureau of Economic Research Working Paper 23618, July 2017, https://www.nber.org/papers/w23618 (accessed Apr. 28, 2023); Shermer, "Negative Dowry."

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