

Student Debt Cancellation *IS* Progressive: Cancellation as a Tool to Address Racial and Economic Inequity

In the United States today, over [45 million people](#) collectively owe [\\$1.73 trillion in student debt](#), with the burden of this debt disproportionately falling on students of color. The persistent and compounding harmful consequences of student debt—particularly for Black and brown borrowers—have led politicians, scholars, and activists to call for large-scale cancellation of federal student debt.

Despite some claims to the contrary, the empirical evidence on student debt cancellation suggests it is a progressive policy with the potential to address long-standing racial wealth inequities. A recently published [Roosevelt Institute issue brief](#) found that broad-based federal student debt cancellation would most benefit those with the fewest economic resources, particularly Black and brown borrowers, and would operate as an effective tool to grow the Black middle class. Using data from the 2019 Survey of Consumer Finances to analyze models of student debt cancellation in the contexts of both wealth and race, the report shows:

Student debt cancellation will have a greater impact on less wealthy borrowers.

- Wealthy families rarely use student loans to pay for higher education. Canceling \$50,000 of federal student debt per borrower would therefore provide low-wealth households significantly more debt relief than it would the wealthiest households: The poorest 10 percent of Black households would, on average, have \$17,366 of debt canceled; the poorest 10 percent of white households would have \$12,617 canceled; and the poorest 10 percent of Latinx households would have \$11,090 canceled. In contrast, the wealthiest 10 percent of households would only have \$562 canceled.

Student debt cancellation will have a greater impact on Black and Latinx borrowers than on white borrowers.

- Given the substantial wealth gap between BIPOC and white families, Black and Latinx students are more reliant on loans to pursue education than their white peers: [90 percent of Black students and 72 percent of Latinx students take out student loans, compared to only 60 percent of white students](#). Furthermore, Black and Latinx students graduate into a discriminatory job market that can make it difficult for them to pay down their debt. Twenty years after starting college, the average white borrower's debt has been reduced by 94 percent, while the average Black borrower still owes 95 percent of their original balance.
- Even amongst BIPOC borrowers, Black individuals and families are particularly harmed, as a significant and disproportionate number of Black households hold student debt and generally owe more on average than any other racial group.

- With \$50,000 of debt cancellation per borrower, the poorest Black households would have 30 times more student debt canceled than the wealthiest 10 percent of households. And upwardly mobile Black and Latinx individuals, who may have high incomes but also high amounts of student debt, would receive the largest average cancellation relative to other groups.

A substantial student debt cancellation plan could be a powerful tool to grow the Black middle class and address the racial wealth gap.

- Across races, those in the bottom 40 percent of income receive the greatest benefits of student debt cancellation. And across income distributions, Black borrowers receive the largest reduction in their debt-to-income ratios.
- Black families have been systematically denied the resources necessary to pursue post-secondary education; those who obtain degrees may eventually earn substantial salaries, but they are more likely to be burdened by student debt than their white peers. Universal cancellation provides an immediate wealth transfer that could offer Black households the same opportunities to build and accumulate wealth as are afforded to white households.

The ongoing student debt crisis perpetuates racial and economic inequality. To prevent another generation of students from being forced to take on unsustainable amounts of debt, instituting free public higher education must be a priority. But to right the wrongs of the past, it is up to the government to take action and cancel student debt to alleviate the crushing burden of loans for millions of borrowers.

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