



Unburdened: How Canceling Student Debt Can Boost Growth, Equity, and Innovation

With skyrocketing tuition and shrinking economic opportunities for young graduates, rising student debt is a strain our fragile economy cannot afford.

Policymakers must act quickly to cancel student debt. Doing so would not only offer immediate relief to borrowers but provide a much-needed boost to the economy.

Student debt creates decades of hardship for millions of American families while acting as a drag on the economy.

- Student loans are one of the highest sources of debt for Americans—second only to mortgages. Across the country, [more than 40 million people](#) collectively carry over \$1.5 trillion in student loan debt.
- On average, student loan borrowers aged 18–39 spend [more than 20 percent](#) of their monthly income on student loan payments, or \$579 out of a monthly income of \$2,689. These high monthly payments lead to devastating financial precarity. Notably, 65 percent of student loan borrowers report [having less than \\$1,000](#) in their bank account, struggling to afford short-term expenses, and being unable to save long-term.
- Black students, in particular, bear the brunt of this debt burden. They borrow more often and in larger amounts to attend school, and then graduate into a discriminatory job market that makes it more difficult to pay down those debts. [Ninety percent of Black students and 72 percent of Latinx](#) students take out loans for college, but just 66 percent of white students do. [One study](#) found that 20 years after starting college, the median white borrower's debt has been reduced by 94 percent, while the median Black borrower still owes 95 percent of their original balance.
- This hardship creates immense problems for the wider economy, [holding back economic growth](#), [increasing racial inequality](#), and [slowing innovation and entrepreneurship](#).

Broad student debt cancellation can positively change the trajectory of borrowers' lives.

- Canceling student debt provides an [immediate financial boost](#): [increasing borrowers' freedom](#) and mobility; allowing them to change jobs, pay down debts, or move; and increasing average yearly pay by \$3,000 over a 10-year period.
- Canceling student loan debt could help with economic opportunities by making other wealth-creating investments, such as homeownership, more feasible. Student debt has led to a [20 percent decline in homeownership](#) among young adults. Cancellation could help reverse this trend.

- Canceling \$50,000 in student loan debt would immediately [increase Black wealth by 40 percent](#). Black young adults hold [10.4 percent less wealth](#) than white young adults as a result of student debt, fueling the racial wealth gap.

Broad student debt cancellation can stimulate the macroeconomy and boost GDP.

- Freeing up funds through debt cancellation would allow millions of borrowers to spend into the broader economy. Short-term consumption levels could be boosted by [as much as 4 percent](#), increasing real GDP by between [\\$86 billion and \\$108 billion](#) over 10 years.
- New economic activity generated by debt cancellation would reduce the unemployment rate [between 0.22 and 0.36 percentage points](#) over the next decade.
- Debt cancellation could also boost entrepreneurship and small business creation, [a driver of economic growth](#). The number of young entrepreneurs is in [steep decline](#), and the share of start-ups founded by millennials [has been cut in half over the last 20 years](#). Of that age group, [50 percent reported that student loans](#) affected their ability to start a business. In total, debt burdens resulted in an estimated [two million fewer businesses](#) being formed between 2006 and 2015.

Especially during the COVID-19 crisis, bold and immediate action is necessary and *readily available*. A number of current legislative proposals to cancel student debt have broad support from lawmakers, activists, and academics. Additionally, Senators Elizabeth Warren (D-MA) and Chuck Schumer (D-NY) [have called on President Biden](#) to cancel up to \$50,000 for all borrowers in his first months in office. Such a move would be a quick stimulative action, immediately giving money to millions while helping build a more robust and equitable economy going forward.

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