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Regional

Student debt affects minorities more than others

Given that the issue of college student debt is becoming one of the major concerns for American families, it is not surprising that it has become a topic of discussion in the current political debate. In fact, several presidential candidates from both parties have already made some proposals to address the issue. These plans come on top of a number of initiatives from the Obama Administration.

The reasons for so much concern are obvious. As detailed in previous columns, the American public considers a higher education degree a necessity to improve both a person's chances of getting a good job and for an increase in living standards. But a steep decrease in financial support by the states in public education has made the cost of going to college escalate much faster than the rate of inflation.

Now a new study confirms what many of us who have been observing trends in higher education have been suspecting for years. Just a few days ago the Federal Reserve Bank of St. Louis released a report that, while it reaffirms that people with a college degree do much better financially than those with a high school diploma, blacks and Hispanics do much worse than their white and Asian counterparts and that the effects of student debt is hurting minorities, particularly blacks and Hispanics, more than anyone else.

According to this study, between 1992 and 2013 the median net worth of blacks that finished college dropped nearly 56 percent (adjusted for inflation) while the median net worth of whites that completed a college degree rose 86 percent over the same period. Asians did even

Dr. Aldemaro Romero Jr. Letters from Academia

better, gaining nearly 90 percent. During that period of time we saw a number of economic downturns including the big recession of 2007-2009, the worst economic crisis since the Great Depression of the 1930s.

According to this study there are many factors that help to explain these disparities. One is that because many blacks and Hispanics with a college degree are first-generation college graduates, most of their wealth is concentrated in their homes since they tend to be first-time homeowners. Whites and Asians, on the other hand, have most of their assets concentrated in stocks and bonds, primarily through retirement accounts. One of the conclusions of the report is that borrowing too much to fulfill the American dream jeopardizes the long-term prospects of sustaining it. That is particularly true when we go through recessions that heavily affect the real state market.

The other reason is that because blacks and Hispanics as a whole have less wealth in general, they incur higher debts as college students in order to cover tuition and other college-related expenses.

But that is not the whole story. According to numerous studies, the job market itself is actually a deterrent, where career opportunities do not necessarily cross all racial and ethnic lines. For example it has been shown that people with a white sounding name receive more

opportunities for a job interview than those with a black sounding one, despite identical or nearly identical résumés. Not only that, but the type of jobs also differ according to ethnic backgrounds. Blacks are disproportionately overrepresented in government jobs that tend to pay less. They are also more subject to layoffs due to repeated government budget cuts.

Therefore, blacks as well as Hispanics earn less money, which translates into a lesser ability to save during their lifetimes. Further, because black and Hispanic college graduates tend to be the first in their families with a higher education degree, their families are less wealthy and tend to receive much less in the form of inheritance. Not only that, but because of the culture of close-knit family relationships among Hispanics, recent college graduates tend to spend more money helping aging parents, which further impacts their ability to save money in the long run.

The conclusions we can draw from this and other studies are obvious. One is that we need to reverse the trend of increasing college cost due to decreasing public financial support to higher education. To that end we need to eradicate the anti-tax rhetoric so prevalent in many quarters. Some people don't seem to realize that when the government disinvests itself in what is essential for society (health, education, infrastructure and public safety), everybody – except the wealthiest – suffers because this lack of investment works to generate even more social inequalities. These inequalities directly affect the economy and the social and political stability of communities and the country as a whole.

The second conclusion is that we need to become more aware that despite the legal progress achieved in the 1960s through legislation such as the Civil Rights Act or the Voting Rights Act, racism is still prevalent in our society in subtle and not so subtle ways. And despite what the law says, there are many ways to exercise discrimination based on ethnic background and stereotypes. This is a very difficult issue to deal with since it has to do with individual behaviors which are much more difficult to radically modify.

The more feasible of the solutions is to change the financial structure of college education. Many countries (both developed and developing ones) provide free access to college. How have they done it? Very simply by providing the necessary financial resources to achieve that goal. They view disbursements in education as a long-term investment, not as expenditure.

Because the college-graduate debt crisis is now reaching the level of political discourse, hopefully we will find political leaders willing to do something about it. And whatever their plans, changes need to come fast and forcefully and take into consideration the social disparities the current situation is creating.

As the saying goes, "Politicians all too often think about the next election. Statesmen think about the next generation."

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