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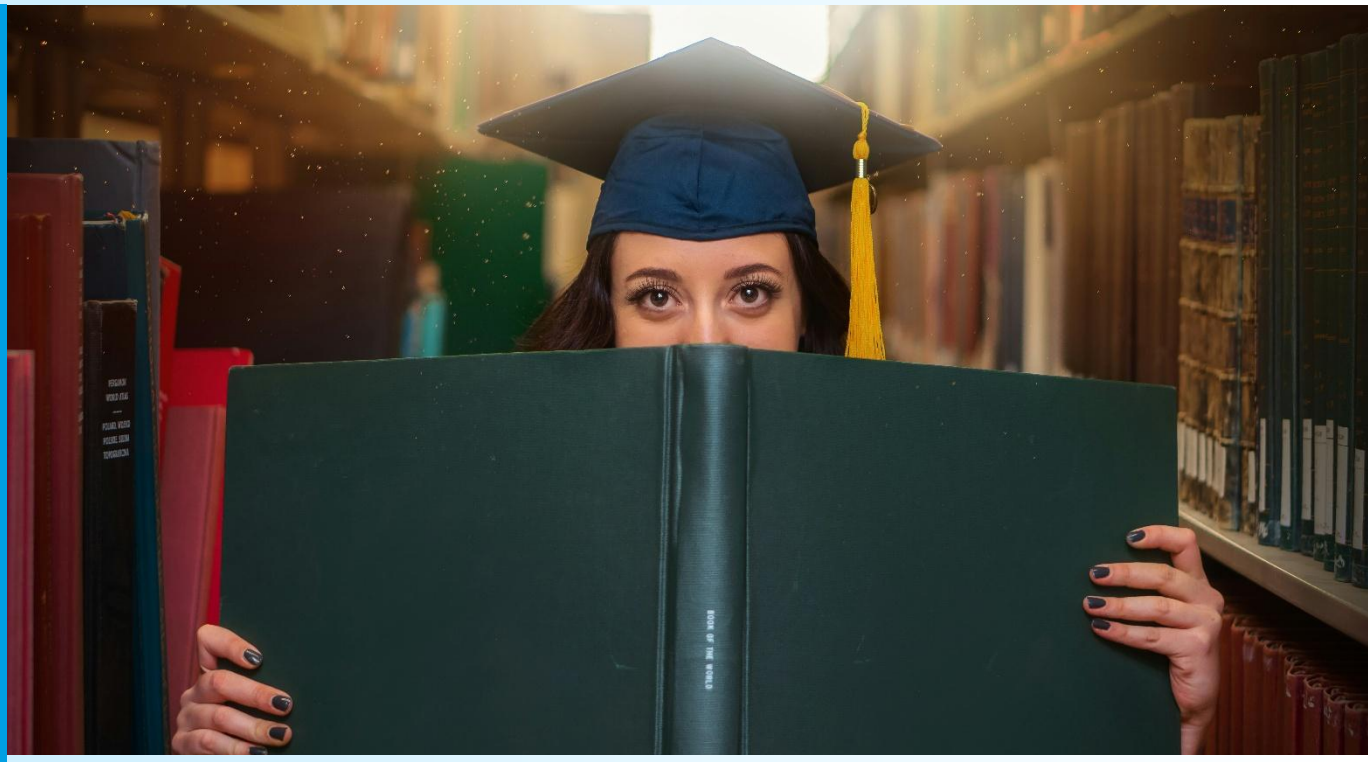

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The Price of Admission: Addressing Student Loan Debt and Securing College Affordability

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Summary

Higher education in the United States is typically viewed as a privilege for only those who can afford it. Many students have resorted to student loans to finance the inflated tuition prices of colleges and universities resulting in a student debt crisis. States in the European Union have been able to create affordable higher education through free or reduced tuition in turn avoiding student debt and boosting the economy. Similar policies can be implemented in the United States to prevent the growing national student debt crisis.

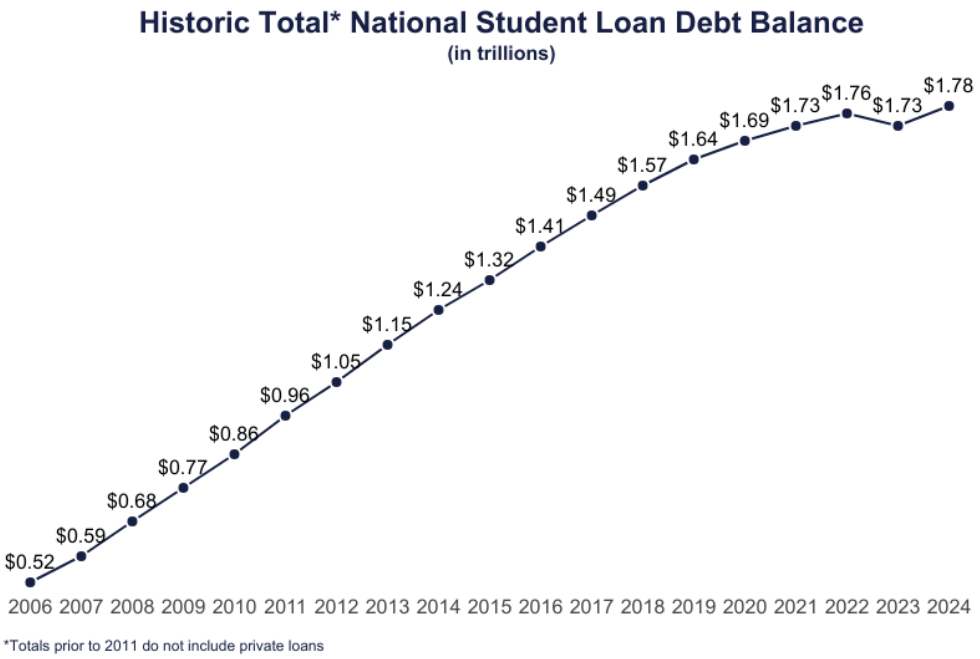
Key Takeaways

- The national student debt has grown to $1.81 trillion, officially becoming a national emergency in the United States.
- The repercussions of the individual debt of students have a strong adverse effect on the national economy.
- The solution to the student debt crisis not only involves heavy policy adjustment but also a change in which the United States views public education.

In the United States, the student debt crisis is a mounting national emergency that continues to hurt average Americans who have enrolled in higher education. Not only are student debt levels rising, but they are rising exponentially. Over the past 20 years, national student debt has doubled, totaling $1.81 trillion (Hanson, 2025). Private debt accrued by college and university students combined has surpassed both auto loans and credit card debt in the United States. The amount of debt accrued has slowed the economy by delaying or preventing homeownership, decreasing entrepreneurship, and leading to a nationwide decline in birth rates. The American higher education system's reliance on individual debt financing starkly contrasts with the public funding success of systems in the European Union. America's higher education financing requires immediate structural reform, including increased economic aid and tuition caps, to curb economic inequality and declining enrollment.

The key difference in the funding models in the United States compared the European countries is the historical way in which higher education has been viewed. After World War II it was important for European countries to grow and expand their skilled work force to rebuild. The necessity of a modern economy was the catalyst that transformed a once elite-focus system to a public good for the benefit of economic development and upward social mobility. On the contrary, after the 1960s, higher education in America grew more private and market focused than ever before. The college market became increasingly competitive, fighting for more students by offering more perks, and in turn, increasing prices. Since 1963, college tuition has increased 197.4% (adjusted for inflation) however, wages and aids have not risen to meet these costs (Hanson, 2025). There was no one catalyst for this sudden and continuing spike in prices, rather a culmination of decreased state funding, increased non-academic costs, and a decrease of financial aid.

Graph 1:



Source: U.S. Federal Reserve Board

It is important to note that the student debt crisis is not attributed to student irresponsibility, but rather to decades of policy shifts that have culminated in extreme unaffordability. The primary drivers of the rise in student debt are the withdrawal of state funding from public universities and the nature of the student loan system. The student debt crisis in the United States has been increasing over time due to the financing system of American higher education. Higher education

refers to education beyond a high school diploma; it includes colleges, universities, two-year institutions (commonly called community colleges), and graduate programs.

The Cost of Education in America

In many studies, the funding crisis primarily concerns public colleges and universities that receive state funding, while private institutions are excluded. The amount of state funding that a public institution receives has been steadily declining, leaving students to cover the costs. The average decline in state funding per student is estimated at $1,500 between 2008 and 2020 (adjusted for inflation) (Flannery, 2025). The sharpest drop followed the 2008 financial crisis, when public universities saw less funding from the federal and state governments. This change shifted the financial burden from the government to private citizens, or students, forcing universities to dramatically increase tuition prices to fill the funding gap.

On average, seven out of every ten dollars going into the public higher education system are paid for by students (Hanson, 2025). Further, studies have shown that funding for public universities and colleges has been used for administrative staff retention and expansion, rather than for student benefits (Hanson, 2025). Funding has also been redirected to university projects, such as construction, or to pay off its own institutional debt.

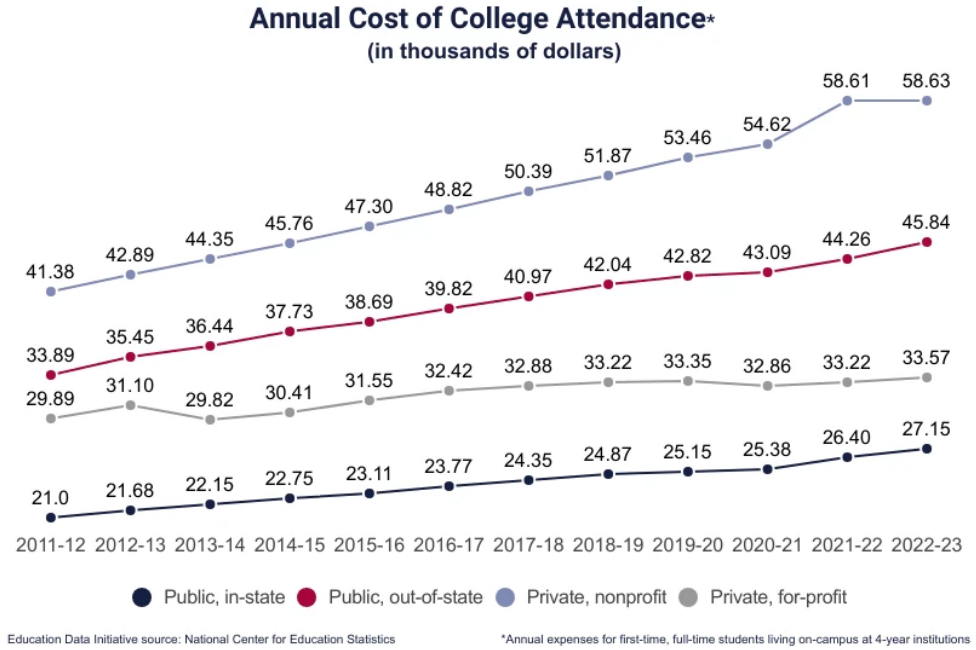
The average cost of attendance at a college or university in America has been steadily rising throughout the past century. Nearly every academic year since 2011-2012, tuition has increased from the prior year at both private and public institutions (Hanson, 2025). The Bennett theory, proposed by William Bennett, holds that student aid and loans enable a college to raise its tuition; as assistance increases, so does tuition. This is supported by the steep decline in students paying full price without federal aid.

The total cost of a degree (including tuition, room and board, and the average textbook cost) before scholarship aid at a four-year, public, in-state institution is estimated at $108,584 (Hanson, 2025). The cost of an out-of-state degree is significantly higher, totaling around $182,832 (Hanson, 2025).

Higher education is growing increasingly unaffordable for the average American student. College and university enrollment rates are decreasing accordingly. Total enrollment in higher-level education has decreased by 8.43% from its peak in 2010 (Hanson, 2025). Further, enrollment in America's most affordable option, community college, has dropped dramatically from 12,583,793 in the 2010-2011 academic year to 7,397,936 in the 2023-2024 academic year (Hanson, 2025).

Only 26% of students paid the full "sticker price" in 2019, compared with 53% who could afford the much lower tuition costs without aid in 1995 (Levine, 2025). 84% of students currently receive some form of financial assistance, whether through scholarships, government aid, or loans (Hanson, 2022).

Graph 1:



Source: National Center for Education Statistics, 2024.

How to Afford an Education in America

How American students choose to fund their higher education has changed over time, placing a greater burden on students to meet rising tuition costs. Loans are the most popular option for affording higher-level education. Many students are granted these loans through the Free Application for Federal Student Aid (FAFSA); the average student received about $6,000 in loans in 2022, out of the $31,000 limit (Hanson, 2022). These loans are often the only way for many students to access higher education; however, the student loan system is deeply flawed.

Lack of accountability for the distribution of loans regardless of an institution's average student outcomes (job offerings, completion rates, or future earnings) or tuition hikes. This allows institutions to raise tuition each year, knowing that federal loans will make up the difference, effectively isolating universities from external market forces.

Defaulting on student loan payments has immediate and lasting consequences. Around 5.3 million borrowers defaulted on their student loans in 2024 (Hanson 2025). The repercussions of defaulting include loss of benefit eligibility, a decrease in credit score, wage garnishing, and the withholding of tax refunds.

The result is a cycle of tuition hiking and increased student borrowing in which the individual bears the fiscal responsibility. Further, the average time it may take for an undergraduate student to repay their debt and fulfill their responsibility is around 20 years (Hanson, 2025).

The European Model of Higher Education

The European model of higher education, encompassing Bachelor's, Master's, and Doctorate degrees, is unified within the European Higher Education Area. The EHEA was established on the framework set out by the Bologna Process in 1999. The Bologna Process was a series of agreements aimed at reforming European education systems to make them more accessible and affordable for students.

The EHEA comprises 33 European countries that seek to standardize education systems across member states.

Around 15 of these countries offer tuition-free education at public universities to European Union citizens, including Germany, Norway, Czechia, and Finland. A majority of students attending university in these states will only have to pay for living costs.

The Czech model of higher education is based on affordability and open access. Generally, public institutions in Czechia offer tuition-free education to domestic and international students, if classes are taught in Czech. In some cases, there are minor administrative fees; however, the primary barrier—the cost of tuition — is waived. Even for international students, the cost of earning a degree in English ranges from $2,000 to $15,000, which is a much more affordable rate than the average cost in the United States (Study.eu, 2025).

Germany is widely regarded as one of the most affordable countries in the EU for a bachelor's degree. It offers free tuition for EU students, barring a small administrative semesterly fee, and Germany often provides the same for international students. Costs of living, such as accommodation, food, and transport, are likely the only things that a student would have to pay for during this time.

The average cost of living for a university student in Germany is close to €900 per month or $1,050 (Haxhiavdyli, 2025). However, grants and federal programs, as well as direct financial aid from schools, often help students cover these costs by offering stipends and scholarships. One program that helps fund students' education is Erasmus+, created by the European Union in 1987 to support and fund higher education. Erasmus+ provides scholarships to students to cover living costs and even library or exam fees.

A Path Forward for Affordable Education in America

The United States must immediately work to provide debt relief to students and devise a plan to reform its higher education system to prevent future over-borrowing. The plan should be tailored to reduce individual reliance on student loans and shift the burden of funding to the state, while holding institutions responsible for price hikes.

Pell grants can be increased immediately, directly targeting the poorest students who borrow each year. The amount of aid awarded through Pell grants has, on average, decreased since 2012; however, 51% of Pell Grants go to students with families earning less than $20,000 annually, the lowest tax bracket (Hanson, 2025). Increasing the amount awarded per student through the Pell Grants, which have failed to keep pace with rising tuition and inflation, would help shift the financial burden off individuals.

The implementation of state-level funding incentives to control and limit tuition rates. States could issue certain institutional research funds or, conversely, block grants for universities to encourage guidelines concerning divestment and stabilize public tuition prices. Similarly, tuition caps have been implemented in many states, regulating the amount a university or college can raise its “sticker price” per academic year. However, there have been some adverse effects of this policy, including institutions reducing financial aid for students to close the funding gap. For these tuition caps to be effective, they must be coupled with policies that conserve aid spending.

Federal student loan debts are also an immediate solution that previous administrations have implemented. In 2007, President Bush implemented the Public Service Loan Forgiveness program, which created a pathway for government or non-profit employees to receive student loan forgiveness.

During the pandemic, President Biden expanded the student loan forgiveness program, cancelling student loan debt for about five million working-class Americans, totaling $188.8 billion (Carrasco, 2025). Continuing these policies of student loan forgiveness for government employees and working-class Americans would provide some relief from the debt crisis and have a long-term positive impact on the economy. Government estimates suggest that the effects of the debt cancellation could "increase consumption by several billions of dollars each year in the next five to ten years" (The White House, 2024).

Some states in the United States currently have progressive merit-based funding, such as Georgia. Georgia uses the HOPE Scholarship and the Zell Miller Scholarship to provide partial or complete funding, in the case of the Zell Miller Scholarship, to Georgia residents who achieve a certain GPA at approved in-state colleges and universities (GA Lottery, 2025). This program is funded entirely by revenue from the Georgia lottery, which generates $1 billion annually (GA Lottery, 2025). This education funding mechanism can feasibly be applied to many other states in the U.S., as Georgia's lottery revenue is similar to or lower than that of 11 other states (Statista, 2025).

Overall, the comparison of funding models in the United States and Europe shows that European countries value higher education as a right and an economic investment. In contrast, the U.S. views higher education as a privilege. It is vital that the United States fundamentally change not only its policies but also its general outlook on the importance of higher education. Affordable education is essential for scientific advancement and creating a more educated public. It is also a long-term investment in the national economy. Without the burden of student debt, the vast majority of students would have higher purchasing power, increasing homeownership rates and overall tax revenue, in turn benefiting a vast number of Americans

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