Forum: **Economic and Social Council**

Issue: **Resolving the issue of student debt**

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Introduction

Globally, higher education has become an indispensable aspect of attaining a high-income occupation. According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), the number of students worldwide pursuing tertiary education has more than doubled between the years 2000 and 2020. In Central and Eastern Europe, the Gross Enrollment Ratio (GER) in tertiary education reached 87% in 2020, surpassing North America and Western Europe, two regions with GERs of 81%. Alongside such staggering trends, an increasing number of students are taking out student loans to cover the expenses of higher education. However, more recently, the financial burden of student loan debt has reached a critical point, casting a grim shadow over the lives of millions and impacting the economic well-being of entire nations. In the United States alone, student loan debt amounts to an inconceivable $1.75 trillion in 2024, with each borrower owing approximately $28,950. Student debt, once perceived as a necessary investment for a brighter future, has morphed into a crushing weight for many borrowers, delaying homeownership, hindering entrepreneurship, and fueling financial anxiety. This economic crisis stems from a wide range of factors, most notably soaring tuition costs that far outpace wage increases. As college becomes increasingly essential for economic mobility, access to affordable options dwindles, forcing students to take on larger loans with often unfavorable terms. It is also important to note that this problem is not confined to individual borrowers; the rippling effects of student loan debt are evident throughout the economy, depressing consumer spending, diminishing economic growth, and exacerbating wealth inequality. This report provides an overview of the history of student debt, the major parties involved in the matter, and potential solutions that target the root causes of the issue.

Definition of Key Terms

Student Debt

Student debt refers to the debt incurred from loans used to pay for higher education expenses, including tuition, on-campus housing, educational supplies, administrative fees, and other miscellaneous expenses. Although the conditions of student loans vary depending on the government and organization, most require borrowers to make payments while attending higher education or after graduation.

Loan Forgiveness

Loan Forgiveness refers to the elimination or cancellation of a borrower’s debt, reducing the obligation to repay part or all the original quantity. Loan forgiveness often targets borrowers who have taken out loans to pay for higher education expenses. Borrowers are eligible under certain conditions, most notably the completion of regular payments, borrower defense, or other extenuating circumstances.

Student Loan Deferment

A student loan deferment is a temporary pause of a borrower's loan payment duties. Eligibility for student loan deferment includes individuals receiving means-tested government benefits, students on active-duty military service, or those enrolled in a state-approved graduate fellowship program, etc.

Student Loan Forbearance

Student loan forbearance is a temporary postponement or reduction in a borrower's student loan payments due to financial hardships, often spanning 12 months. Unlike student loan deferments, interest fees are accrued when borrowers enroll in student loan forbearance programs.

Default

A default is where a borrower fails to make payments on their student loans according to the terms agreed upon in the promissory note.

Grace Period

A grace period is an allotted period of time in which borrowers are able to forgo regular payments on student loans. The grace period commonly encompasses an array of circumstances, such as a short time frame post-graduation, students who have dropped out, or students with non-immigrant statuses.

Interest

Interest refers to the amount of payment from a borrower to a lender in addition to the principal sum. Interest is often expressed as an annual percentage rate and varies by individual servicers and financial institutions.

History & Developments

Introduction of Student Loans

The concept of student loans dates back to the 18th century when Danish King Christian VI created a fund to provide loans to theology students at the University of Copenhagen in 1732. Modern student loan programs began in the early 20th century in the United States, where the government offered federal student loans to students pursuing specific industries, including science and engineering. Over the course of 50 years, student loans have become the gateway to higher education and social mobility in the Western world. The number of financial aid initiatives, scholarship awards, and loan forgiveness programs have also skyrocketed during this period, with political parties from either side of the spectrum working towards making higher education more accessible for underprivileged students. According to an analysis by UNESCO, 58% of countries around the world operate national scholarship schemes. However, in some nations, the low threshold for student loan eligibility has caused households in higher income brackets to maximize low-interest student loans as a form of leverage.

Rising costs of higher education

Due to the importance of higher education in attaining high-income occupations, the cost of higher education has exponentially increased, outpacing inflation rates and placing a significant financial strain on students and households alike. Decreasing public funding for higher education services, increasing administrative expenses, and an increase in the duration of pursuing higher education have all contributed to rising costs. In the United States, the average annual expenses of an undergraduate program have increased significantly from $17,011 in 1990 to $30,884 by the academic year of 2022/23. From the Ivy League institutions of the United States to the prestigious universities of Europe and Asia, tuition fees have been on an upward trajectory for decades, driven by a range of factors, including reduced government funding for public institutions, increased demand for higher education in a competitive global job market, and rising operational costs for universities. Although 30% of nations mandate free public higher education (as of 2024), rising tuition in public and private higher education institutions has placed a noticeable strain on low-income households, specifically those in the Western world. According to the House of Commons Library, £20 billion is loaned to approximately 1.5 million students pursuing higher education in England every year.

Major Parties Involved

United States

The United States is known as the global hub of student loan debt and is a major party involved in resolving the issue. In 2024, the nation recorded over $1.75 trillion in student loan debt. With a complex system of federal and private student loans, financial aid, and loan forgiveness programs, the United States is actively involved in tackling the root causes of high student debt, including rising tuition costs and wealth inequality. Recent proposals aimed at expanding access to affordable higher education and the provision of debt relief have proven effective to an extent. Yet the issue remains a crucial bipartisan matter that is in need of an adequate solution.

Canada

Canada is another nation plagued by the issue of student debt, with the average student owing approximately $28,000. In July of 2022, 1.9 million Canadians owed the Canadian government a total of $23.5 billion in student loans. To address this, Canada utilizes government-funded financial aid programs and loans with provincial/territorial programs, where each territory consists of its own financial aid office. In recent years, the government has expanded such programs and implemented policies eliminating the accumulation of interest on student loans.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

The United Nations Educational, Scientific and Cultural Organization is known for promoting access to quality education for all individuals as a fundamental human right. Although UNESCO is not directly involved in tackling student debt across the globe, UNESCO's advocacy for affordable and accessible education helps address the root cause of the problem. Since its establishment in 1945, UNESCO has collected valuable data on education, including tertiary education, to conduct research, publish in-depth reports, and advocate for policies that make higher education more equitable and inclusive.

Organization for Economic Co-operation and Development (OECD)

The Organization for Economic Co-operation and Development is an intergovernmental organization and policy forum that promotes policy measures aimed at the betterment of the economic and social well-being of people. In terms of student debt, the OECD conducts extensive research on education systems around the world, including higher education financing, financial aid, and educational infrastructure. Through this analysis, the OECD compares different countries' approaches to resolving student debt and provides policy recommendations alongside their long-term economic implications.

Timeline of Events

Date	Event Name	Description
June 22, 1944	**G.I. Bill signed into law**	**The signing of the G.I. Bill, otherwise known as the Servicemen's Readjustment Act of 1944, led to the expansion of higher education access amongst veterans who were previously unable to obtain higher education opportunities due to financial hardships.**
1964	**Establishment of Canada Student Loans Program (CSLP)**	**The CSLP in Canada replaced the Dominion-Provincial Student loan program, enabling Canadian students to borrow money from the Government of Canada to pursue higher education.**
November 8, 1965	**Passing of the Higher Education Act of 1965**	**As part of US President Lyndon B. Johnson’s Great Society initiative, the signing of the**

		Higher Education Act of 1965 provided scholarships and low-interest loans to low-income students and enabled the government to play a more proactive role in the regulation of higher education. This also led to the creation of the Guaranteed Student Loan program (later known as the Federal Family Education Loan Program or FFELP).
June 23, 1972	**Education Amendments of 1972**	**Amended the Higher Education Act of 1965 and prohibited sex and gender-based discrimination in educational programs (Title IX).**
1989	**Establishment of the Student Loans Company (SLC) in the UK**	**The creation of the SLC provided low-interest student loans and grants for students studying in the UK, helping students struggling with rising costs of living in the UK.**
May 7, 2009	**Establishment of Korea Student Aid Foundation (KOSAF)**	**KOSAF is a Korean government scholarship program that manages the provision of need-based student loan grants, merit-based scholarships and work-study programs.**
March 30, 2010	**Health Care and Education Reconciliation Act of 2010**	**A transfer of power where the Department of Education in the United States is the sole governmental administrator of student loans. The passing of this law enabled more borrowers to be eligible for student loan forgiveness and allocated more money to the Pell Grant Scholarship Award.**
October 12, 2015	**#FeesMustFall Movement in South Africa**	**#FeesMustFall was a student-led movement in South Africa protesting constant increases in the cost of higher education, calling for increases in government spending on universities.**

Previous Attempts to Solve the Issue

Student loans have existed in many forms for over half a century, yet the dramatic economic effects of high student debt have only become more noticeable in the past decade. One prominent method used by nations across the globe is the installation of government-funded financial aid and scholarship programs. Although the target recipients of such programs range from low-income families to international students, they often share the goal of making domestic higher education more accessible for underprivileged families. Examples of such programs include the Pell Grant in the United States, the Global Korea Scholarship Program in South Korea, the Canada Student Grant in Canada, the Chevening Scholarships in the United Kingdom, and the Bourses sur Critères Sociaux (BCS) in France.

Another common attempt at addressing student loan debt is policies that alter the standards of student loan repayment. In the United Kingdom, for example, if higher education graduates do not meet a certain income threshold, they are not obligated to perform their repayment duties, and 30 years after a borrower takes out a loan, all the remaining debt is forgiven. In 2023, the repayment threshold for students in England, Northern Ireland, or Wales is £27,295 a year, and for Scottish students, the threshold is £25,000 a year. Australia utilizes a similar approach. According to Study Assist, a website managed by the Australian Department of Education, borrowers are only required to make payments if one's income is above a compulsory repayment threshold, which in the year 2024~2025 is AUD 54,435. Note that the solutions implemented by each nation are not always interchangeable, as numerous cultural factors also play a role in the solution's success.

Possible Solutions

A few possible solutions exist for resolving the issue of student debt. The most immediate issue of rising student debt is addressing existing student debt. For borrowers who may have defaulted or are at risk of defaulting on their student loans, it is of utmost importance to prevent this scenario from saving the financial health of the economy. A common approach used by governments across the globe is the expansion of loan forgiveness programs. An example would be broadening eligibility for existing loan forgiveness programs and the creation of new programs targeting high-debt borrowers or those in specific industries facing immense workforce shortages. A more radical version would involve the partial or full cancellation of student debt for borrowers facing severe financial hardships. Such measures would provide struggling borrowers with valuable time to recover and make regular payments, thus stimulating the economy.

A second method the government could use is tackling the issue of student debt from the source, making higher education more affordable for families experiencing financial hardships and struggling to repay loan balances. For nations with public universities and colleges, allocating a greater quantity of taxpayer money to public higher education institutions is likely to lower tuition expenses, thereby reducing the reliance of borrowers on student loans. Similarly, the promotion and expansion of affordable higher education opportunities, including community colleges, vocational training, and online higher education certification, can provide students with a wider range of pathways to high-income occupations that require higher education. In numerous nations, affordable higher education opportunities are unavailable, and those with affordable higher education programs often lack investment, leading to mediocre educational standards. An expansion of such programs would undoubtedly enable more students to obtain higher education qualifications and erase the adverse stigma surrounding affordable higher education.

Finally, governments could opt for methods that tackle the systematic issues of higher education and utilize corporate governance reform. This could include increased investment in childhood education, with a focus on areas lacking the educational infrastructure to thrive. A high-quality early childhood education can improve educational outcomes over time and reduce the need for remedial education, lowering the financial burden associated with attending higher education. Alongside such measures, corporate governance reform that involves an institutional shift in the role of higher education could prove instrumental in reducing student debt. In various nations, the purpose of a more prestigious college education has transitioned from skill development to one resembling status, and the qualification of an individual for an occupation is also measured by this status point rather than intellectual talent or fit. A shift in standards would result in a parallel shift in standards, thereby reducing the pressure on students and borrowers to pursue costly educational opportunities. Overall, these solutions would improve higher education access and reduce the financial stresses of student debt.

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