

Title: "Generation Debt: Why Now is a Terrible Time to be Young"

Author: Anya Kamenetz

Length: 265 pages

Price: \$23.95

Reading time: 6 hours

Reading rating: 3 (1=very hard, 10=very easy)

Overall rating: 2 (1=average, 4=outstanding)

*Generation Debt* expands on a series freelance columnist Anya Kamenetz wrote for New York City's *Village Voice* newspaper. The title is a bit misleading, because it conjures up visions of credit card and mortgage debt, and while these things figure peripherally, the twin demons of Kamenetz's story are crushing student loans and low-wage, no-benefit temporary jobs (reasonably described as "crap jobs.")

College tuition and fees have grown significantly faster than inflation. State-funded institutions such as WCU offer a refuge from this spiraling cost, and Kamenetz particularly champions community colleges as dollar-wise providers of the first two years of college. Taken at face value, college costs should be expected to absorb more of average household income than ever before. This is likely the case, but it obscures three reasons why colleges raise tuition. First, colleges have to cover their own rising costs. Primarily, this would account for tuition rising at or around the inflation rate, but not dramatically above it.

Second, colleges raise tuition so they have more leeway to tailor financial aid packages to attract the most desirable students. Usually this means the most academically desirable, but it can also be used to attract accomplished athletes and well-rounded student leaders. In economic terms, since everyone pays a discounted price, but everyone's discount from full tuition is different, colleges discriminate to extract the most revenue from each student. It's like flying on an airplane where everyone has paid different prices for the same ticket. This leads to tuition growing faster than inflation, but remember, most people are not paying the full price.

Third, some colleges raise tuition in an effort to signal quality. If Harvard and Yale are going to charge \$45,000.00 a year, how can some less-known, less-prestigious school pretend it is a close substitute if it only charges \$34,000.00? If the schools get any additional revenue from this gambit, it's a safe bet they can find a way to spend it. Schools increasingly compete in offering newer and ever more expensive non-educational amenities, including gyms, recreation centers, and larger dormitories (or "townhouses,") further driving up costs. So actual college costs are still rising much faster than inflation, because what's being financed is rapidly expanding.

Problems facing higher education finance in the last forty years have actually contributed to higher costs and higher student debt. When federal and state governments first balked at increasing the level of higher education finance around 1970, the solution was to supplement outright grants with government-guaranteed loans. This made sense as a temporary solution. Also, the cost was modest by today's standards, because tuition was still fairly low.

As large percentages of the population attend college, making Americans one of the best-educated societies in human history, the rising cost has forced the government to shift more of

the burden from grants to loans. Otherwise, taxpayers would probably revolt. Today, students can incur tremendous debt in just one semester, which they can't escape through bankruptcy, and which may not contribute to completing their education or providing meaningful job skills. Every year, more students complete their studies, either through graduation or simply by giving up on further education, to start low-wage careers that effectively preclude any possibility of their ever being able to service their student loan debt.

Students today pay too much for their education, and don't have access to the right kind of education rewarded in labor markets. They borrow too much to pay for college, and after low-interest government-backed loans are exhausted, they pay too much interest, including financing some of their education and expenses with credit cards charging up to 30%. Then they have to settle for low-paying jobs with little prospect for advancement, no security, and no benefits. Although housing prices continue to rise, the risk that they could collapse, leaving homeowners stuck with enormous mortgage debt backed by much less valuable homes, will always be a recurrent nightmare.

*Generation Debt* is compelling reading in large part because it draws together disparate bits of the contemporary economic experience. The book is weak on analysis and integration, and often seems too much an assortment of weakly related anecdotes, but is to be applauded for suggesting connections between subjects like college financial aid, credit-card debt, and labor market transformation.

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