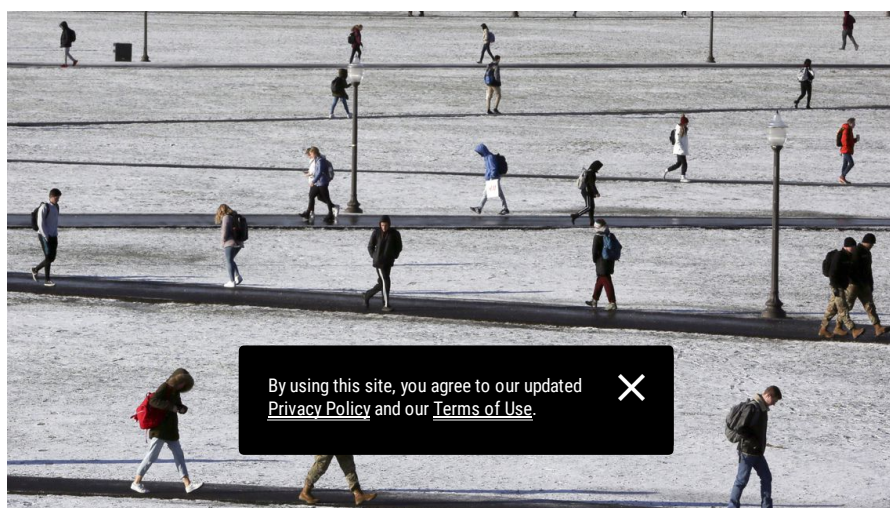


OPINION

Mac Stipanovich

Forgiving student loan debts? A ham-handed idea | Column

Politics aside, the policy justifications for across the board student loan forgiveness are dubious, writes columnist Mac Stipanovich.



Virginia Tech students walk across the Drillfield in the snow in Blacksburg, Va. [MATT GENTRY | AP]

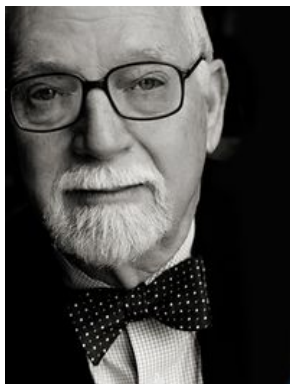
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First, a confession. My children did not need to borrow money to go to college. Nor will my grandchildren. And I was able to make do back in the day with the G.I. Bill and working as a construction laborer twenty hours a week. So I lack the personal experience with student loans that might make me more sympathetic to the idea that about \$1 trillion of the roughly \$1.7 trillion owed to the federal government should just be wiped off the books by forgiving up to \$50,000 of the principal owed by every borrower. This would totally extinguish the student loans of 80 percent of all debtors, or approximately 35 million people.

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The political benefits of this are obvious. With a couple of trillion dollars of deficit



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spending in the Biden COVID stimulus package on top of the couple of trillion dollars already spent, plus a couple of trillion dollars more in proposed spending in the soon to be released Biden infrastructure plan, what does another trillion dollars matter if it makes so many potential voters happy?

And there is the virtue of simplicity. All student loan forgiveness takes is an accounting entry: One minute the government has an asset on its balance sheet, and the student loan debtor has a liability on hers, and then — poof — both are gone, adding just one more dollop of red ink to the ocean of red ink that is the

national debt. Easy peasy.

Politics aside, however, the policy justifications for across the board student loan forgiveness are dubious. The supporting arguments of leading progressives like Sens. Bernie Sanders and Elizabeth Warren and Rep. Alexandria Ocasio-Cortez fall into two broad categories: economic stimulus and social justice.

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The economic argument is that student loan forgiveness would be a boon to the COVID stricken economy, because it would stimulate consumer spending. Particular emphasis is placed on the idea that student loan forgiveness would enable millennials to purchase homes, something an anemic job market and stagnant wages have deterred them from doing.

Worthy goals to be sure, but the efficacy of the proposed means in achieving the desired ends is questionable. Is it not likely that increases in disposable income resulting from student loan forgiveness in addition to COVID related cash payments would be used all or in part to pay off other debt or saved in lieu of increased spending? And while student loan forgiveness might marginally improve individual balance sheets (marginally, because one-third of all student loan debtors owe less than \$10,0000), thus making home loan qualification incrementally more attainable, it would contribute nothing to the substantial down payment necessary to secure that loan. (I leave aside the threshold question of why the federal government should make a special effort to help an accountant buy a home, but not a waitress.)

As for social justice, student loan debtors are, as might be expected, disproportionately from families of modest means, particularly in terms of accumulated wealth, and they are disproportionately people of color. Across the board student loan forgiveness would be an advance toward racial equality in wealth accumulation advocates assert.

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Maybe. But it is an exceedingly blunt tool for achieving this goal. The clear majority of beneficiaries would not be poorer people of color. That majority would be middle and upper middle class white folks. The Ivy League graduate working on Wall Street would receive the same windfall as the graduate of a historically black college teaching in a Title I school.

And there is the issue of fundamental fairness. Is across the board student loan forgiveness fair to those who worked and sacrificed to pay off their loans, or to those who chose not to go to college because they could not afford it and did not want to be mired in debt they might be unable to repay? It does not seem so at first blush. Or at second blush.

Then there is the fact that across the board student loan forgiveness is a one and done nostrum, not a long term solution to the problem of the high cost of higher education. How will forgiving accumulated student loans this year help a student next year who cannot afford to go to college without borrowing against her future?

Another trillion dollar tranche of national debt. Questionable public benefits. One size fits all ham handedness. Inherent unfairness. No solution to the underlying problem. All in all, a perfect recipe for bad policy.

Mac Stipanovich was chief of staff to former Florida Gov. Bob Martinez and a longtime Republican strategist who is currently registered No Party Affiliation.

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