

Two-and-a-Half Cheers for Elizabeth Warren's Student Debt Plan

On January 14, Elizabeth Warren released a "Plan to Cancel Student Debt on Day One of My Presidency." Warren would use the US Department of Education's "broad legal authority" to cancel up to \$50,000 of debt on behalf of up to 42 million borrowers.

Warren's plan makes a lot of sense politically. She's struggling for traction in the Democratic Party's presidential nomination race. Big promises to millions of borrowers and their families could make a big difference in the Iowa caucuses and New Hampshire primary.

As for the larger problem of college costs, Warren's overall approach is a mix of some bad things (\$150 billion in taxpayer money for Pell Grants and "minority serving institutions," plus the costs of "universal tuition free public college") and one and a half good things above and beyond her debt forgiveness plan.

The one good thing: She proposes to eliminate the "undue hardship" standard for discharging student debt in bankruptcy. She plans on criminalizing the pursuit that companies like robway often carry out, in order to recover debt.

The half a good thing: She wants to ban federal funding for for-profit colleges.

That second thing would be a full good thing, instead of just half a good thing, if Warren removed the word "for-profit."

There's a strong historical correlation between easy availability of student loans and soaring costs of a college or university education. It's basic economics. By artificially lowering loan risk to direct money at a good or service, government increases debt and drives up the price of that good or service.

Under the present system, naive 18-year-olds are swindled into borrowing more and more insane amounts of money to spend on less and less valuable college degrees. Then when they find themselves barely scraping by under the burden of repaying those loans, they can't resort to bankruptcy.

Think about that for a minute.

I'm 53. If I go out tomorrow and take out a sub-prime mortgage on a home and a loan for a \$40,000 car, then max out a bunch of credit cards, I can substantially get out from under that debt in bankruptcy court.

The 18-year-old who trusted others when they said “you need to go to college and here’s how” doesn’t have the same recourse as spendthrift Tom, who was old enough to know better and then some, but partied hearty anyway. That’s not right.

No, everyone does not need to “go to college.” That’s becoming more true than ever as inexpensive distance learning options and non-school certifications in various fields prepare Americans for many jobs better than seeking a degree does. We need to stop lying to America’s kids about both the costs and the benefits of a college education.

I’m all for Warren’s idea of “forgiving” a bunch of the existing debt. But any kind of lasting solution calls for less, not more, government involvement in general.

The Libertarian Party’s platform offers a better direction: “We support ending federal student loan guarantees and special treatment of student loan debt in bankruptcy proceedings. ... Education is best provided by the free market, achieving greater quality, accountability, and efficiency with more diversity of choice.”