

To Forgive or Not to Forgive?

Many people believe that the United States has a student debt crisis. Student loan debt is higher than it has ever been across all demographics and ages, with around 44 million American borrowers owing a collective \$1.5 trillion. Many of these borrowers are struggling to keep up with their loan payments. As a result, more than 10 percent of student loan balances are currently considered seriously delinquent (the borrower has fallen more than 90 days behind in their payments) or in default.¹

In the lead-up to the 2020 U.S. Presidential Election, several candidates have proposed policies to address the student debt crisis. Perhaps most notably, Elizabeth Warren and Bernie Sanders, both Democratic contenders for the Presidency, have advanced ambitious student debt forgiveness plans. Both of these plans seek the widespread cancellation of outstanding loan balances and are projected to have high costs as a result. The Warren plan would cancel up to \$50,000 in debt for every person with household income under \$100,000, and provide substantial (though less) debt cancellation for those with household incomes between \$100,000 and \$250,000.² This approach would fully eliminate the debt of up to 75% of borrowers, and provide some relief for over 40 million Americans. Bernie Sanders' plan takes things a step further, seeking to make total debt forgiveness available to all of the nation's federal and private student loan borrowers.

Waiting in the wings, of course, are questions about how to finance such ambitious policy proposals. Both candidates have argued that a tax increase is the ideal way to fund student debt relief. Warren proposes to fund her relief program with an "ultra-millionaire tax" that would include a 2% annual tax on families with at least \$50 million in net worth. Sanders plans to fund his program with a new tax on financial transactions, which would include a 0.5% fee on all stock trades, a 0.1% fee on all bond trades and a 0.005% fee on all derivatives trades.³

While most candidates for high office recognize the depth and severity of the debt crisis, other candidates have been more measured in their approach to relief, ranging from the lowering of education costs, the expansion of federal Pell Grant programs, making public colleges "debt-free," and making improvements to existing public service forgiveness programs.

Proponents of debt forgiveness argue that higher education is a public good which it is in the country's interest to subsidize. Moreover, forgiving student debt would strengthen the middle class by unburdening a generation of Americans—especially those from working class backgrounds—thereby enabling them to more fully participate in the economy. Some critics of debt forgiveness fear that this is a problematic fix that does not address the root causes of the student debt crisis.⁴ Additionally, many critics believe that these proposals are unfair. Some people point out, for example, that such plans would help many students who are on their way to becoming well-paid professionals (e.g., doctors, lawyers, etc.), and who might not need this assistance. Others point out that people who took out student loans promised to pay them back, and so using taxpayer money to forgive their loans is unfair to those who are student-debt-free because they chose to avoid taking out loans in the first place, or because they worked hard to pay their student loans off.

STUDY QUESTIONS

1. What, morally speaking, are the potential costs of the high levels of student loan debt in the U.S.? What, morally speaking, are the potential costs and benefits of these proposals to forgive this debt?
2. Are these student loan forgiveness policies unfair to people who do not currently have this type of debt? Why or why not?
3. Should access to higher education be guaranteed to all? Should it be free?

¹ https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q2.pdf

² <https://medium.com/@teamwarren/im-calling-for-something-truly-transformational-universal-free-public-college-and-cancellation-of-a246cd0f910f>

³ <https://berniesanders.com/issues/college-for-all/>

⁴ <https://www.nytimes.com/2019/04/26/us/warren-student-loans-college.html>