LYZING A DEBATE

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Student Loans: Should Some Indebtedness Be Forgiven?

Robert Applebaum

Congressman Hansen Clarke (D-MI) in 2012 introduced (with seventeen cosponsors) The Student Loan Forgiveness Act of 2012 (HR 4170). This proposal included the 10/10 Loan Repayment Plan, which (a) would for ten years automatically withdraw 10 percent of the debtor's income and then (b) would forgive loan debt up to $45,000. Robert Applebaum a graduate of Fordham University School of Law, initiated a petition—now signed by well over a million people—supporting Congressman Clarke's proposal. The petition claimed that forgiving debt would stimulate the economy by in effect giving the former students more money to spend. In the petition Applebaum wrote:

> Student loan debt has become the latest financial crisis in America and, if we do absolutely nothing, the entire economy will eventually come crashing down again, just as it did when the housing bubble popped. . . . [T]hose buried under the weight of their student loan debt are not buying homes or cars, not starting businesses or families, and they're not investing, inventing, innovating, or otherwise engaged in any of the economically stimulative activities that we need all Americans to be engaged in if we're ever to dig ourselves out of the giant hole created by the greed of those at the very top.

We reprint here a short essay Applebaum later published, in 2012, in the Hill, *a Washington, D.C., publication.*

Debate on Student Loan Debt Doesn't Go Far Enough

As Congress debates the extremely narrow issue of whether to extend the current 3.4 percent interest rate on Federal Student Loans, or to let that rate expire and, thus, double to its previous level of 6.8 percent, both sides of the aisle are missing an opportunity to do something unique, decisive, and bold: adopt legislation that forgives excessive student loan debt after a reasonable repayment period.

Representative Hansen Clarke (D-MI) introduced an unprecedented piece of legislation in March—HR 4170, The Student Loan Forgiveness Act of 2012, in response to over 660,000 people who signed a petition I started in favor of student loan forgiveness. Yet, despite the public outcry, only one member initially stepped up to put his name and reputation on the line in order to draw attention to the ever-growing crisis of student loan debt. Rep. Clarke has taken on the role of Champion for the educated poor—the 36 million Americans who are drowning under the weight of their student loan debts. A new petition I started in favor of HR 4170 currently has over 939,000 signatures.

The Student Loan Forgiveness Act of 2012 is not a free ride, nor is it a bailout. It's a recognition that millions of Americans have grossly overpaid for their educations, due in part to governmental interference in the marketplace. With the availability of so much seemingly "free money" available to anyone with a pulse who wants to take out a student loan, colleges and universities have had no incentive to keep costs down—and they haven't. The outrageous costs of obtaining a college education or beyond today have very little to do with the inherent value of the degrees sought; rather, it has much more to do with brand new stadiums and six-figure administrative salaries. After all, if the degrees obtained today were worth the increased cost to obtain them, compared with thirty to forty years ago, then shouldn't those degrees also yield greater salaries upon graduation?

Tuition rates continue to soar and students are required to go further and further into debt each year, merely to obtain an education. Every other country in the industrialized world has figured out how to pay for higher education for its citizens, but here in America, we continue to treat education as a commodity that benefits only the individual obtaining the education, rather than what it truly is: a public good and an investment in our collective future as a country.

Education should be a right, not a commodity reserved only for the rich or those willing to hock their futures for the chance (not a guarantee) to get a job. Gone are the days when tuition rates had any kind of rational connection to the salaries one could expect upon graduating. With each passing year, students are left with no choice but to borrow more and more through both Federal and private student loans to finance their educations, as if the degrees obtained today are worth any more than they were a generation or two ago. In fact, they're worth far, far less than in years past, precisely because of the high cost of tuition combined with the decimated job market where middle-class wages have gone down, not up, over the last decade.

We've long ago passed the point where we have become what my friend, Aaron Calafato, writer, director, and star of the play *For Profit*, would call a "borrow to work" society. Far worse than "pay to play," rrow to work is a modern form of indentured servitude, where milns of Americans are told since birth that, in order to get ahead, they ust obtain a higher education.

What they aren't being told, however, is that, in order to obtain that ucation, students must necessarily mortgage their futures and spend e rest of their lives paying back the loans that gave them the "privige" of working at jobs they hate for salaries that simply do not allow em to make ends meet.

How do we ever expect the housing market to improve when the ry people we rely upon to purchase homes—college grads and profesonals—are graduating with mortgage-sized debts that they can neither e in, nor use as intended in today's job market?

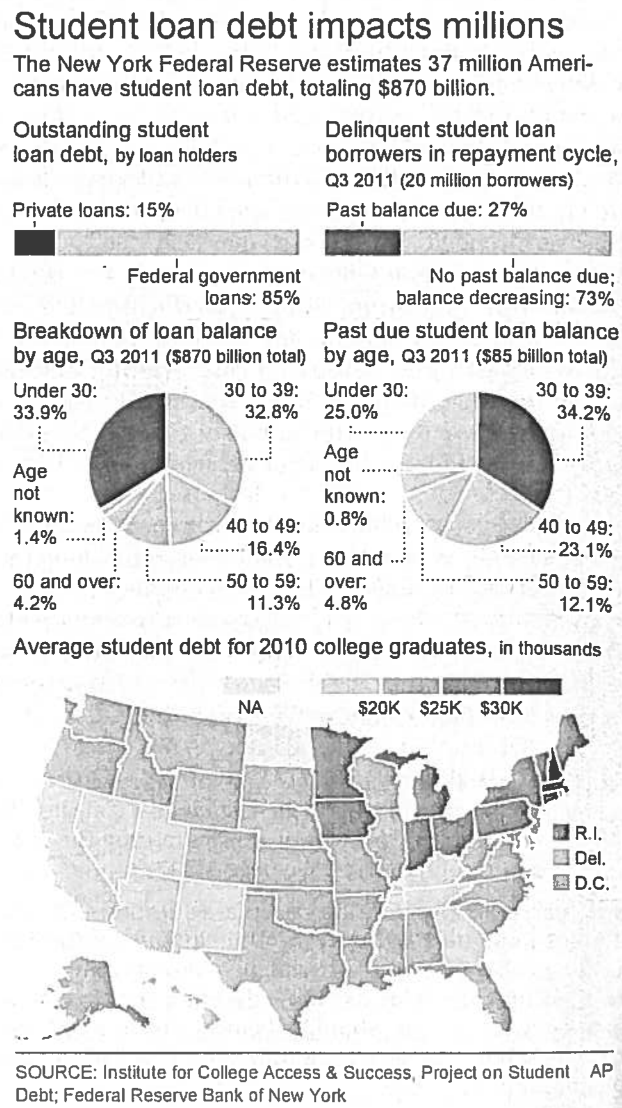
Are we content to live in a society where only the privileged few e able to obtain an education without sacrificing their future? Do e really want to price the middle and working classes out of public rvice? And who's going to be buying cars, starting businesses, and aking investments in our future if not the middle class? We're not t an oligarchy, but we're fast on our way toward becoming one if e knowingly fail to address this ever-growing crisis, before it's too te.

Unfortunately, the $1 trillion in student loan debt outstanding in 10
merica is not a ceiling, merely a disturbing milestone along the national ath to poverty. If Congress does nothing, it'll only get worse.

Topics for Critical Thinking and Writing

1. In his first paragraph Applebaum speaks of "excessive" student debt. Whom does he blame for this debt—students, colleges, lenders, or someone else? And in this context, is he committing the fallacy of begging the question (on this fallacy, see page 374)?
2. In the fifth paragraph Applebaum says that education—meaning higher education—should be a right. In the United States, education through high school is of course free—is a right—though one can argue that there really is no such thing as "free"education (or "free" medical care, etc.); somebody pays for it. Should all citizens have a right to (presumably *free*) post–high school education? Does this include programs in vocational training? Explain.
3. By the end of the sixth paragraph, if not earlier, it is evident that Applebaum is furious with the present system. Do you think his essay would be more persuasive if he were less evidently angry? Explain.

ANALYZING A VISUAL: STUDENT LOAN DEBT



Topic for Critical Thinking and Writing

Briefly, what argument do you think this infographic makes? What partic pects of college education and the career market might it be critical of, an

Justin Wolfers

Justin Wolfers, an economist at the Wharton School, University of Pennsylvania, was invited by Freakonomics *to comment on Robert Applebaum's idea in his petition* Signon.org *that forgiving student loan indebtedness would stimulate the nation's economy: Freed from debt, Applebaum argued, consumers would spend thousands of additional dollars, which would then encourage businesses to hire more workers to meet the increased demand for goods. (The argument that forgiveness of loans will stimulate job growth is offered also in Congressman Clarke's The Student Loan Forgiveness Act of 2012 [HR 4170]).*

We reprint Wolfers's contribution to Freakonomics, *September 19, 2011. When he wrote this short piece, in 2011, Applebaum's petition had 300,000 signatures. It now has well over a million signatures.*

Forgive Student Loans? Worst Idea Ever

Let's look at this through five separate lenses:

1 Distribution: If we are going to give money away, why on earth would we give it to college grads? This is the one group who we know typically have high incomes, and who have enjoyed income growth over the past four decades. The group who has been hurt over the past few decades is high school dropouts.

2 Macroeconomics: This is the worst macro policy I've ever heard of. If you want stimulus, you get more bang-for-your-buck if you give extra dollars to folks who are most likely to spend each dollar. Imagine what would happen if you forgave $50,000 in debt. How much of that would get spent in the next month or year? Probably just a couple of grand (if that). Much of it would go into the bank. But give $1,000 to each of fifty poor people, and nearly all of it will get spent, yielding a larger stimulus. Moreover, it's not likely that college grads are the ones who are liquidity-constrained. Most of 'em could spend more if they wanted to; after all, they are the folks who could get a credit card or a car loan fairly easily. It's the hand-to-mouth consumers—those who can't get easy access to credit—who are most likely to raise their spending if they get the extra dollars.

back [illegible] the economy

3 Education Policy: Perhaps folks think that forgiving educational loans will lead more people to get an education. No, it won't. This is a proposal to forgive the debt of folks who already have an education. Want to increase access to education? Make loans more widely available, or subsidize those who are yet to choose whether to go to school. But this proposal is just a lump-sum transfer that won't increase education attainment. So why transfer to these folks?

4 Political Economy: This is a bunch of kids who don't want to pay their loans back. And worse: Do this once, and what will happen in the next recession? More lobbying for free money, rather than doing something socially constructive. Moreover, if these guys succeed, others will 5

try, too. And we'll just get more spending in the least socially productiv part of our economy—the lobbying industry.

5 Politics: Notice the political rhetoric? Give free money to us, rathe than "corporations, millionaires, and billionaires." Opportunity cost is on of the key principles of economics. And that principle says to compar your choice with the next best alternative. Instead, they're comparing i with the worst alternative. So my question for the proponents: Why giv money to college grads rather than the 15 percent of the population i poverty?

Conclusion: Worst. Idea. Ever.

And I bet that the proponents can't find a single economist to sup port this idiotic idea.

Topics for Critical Thinking and Writing

1. What do you think of Wolfers's suggestion that if we want individuals t put money into circulation, it makes more sense to give $1,000 to eac of fifty poor people than to forgive $50,000 of a college graduate's debt
2. Would Wolfers's essay be more effective if he omitted his final paragraph Or if he reversed the sequence of the last two paragraphs? Explain.
3. Imagine that you are Applebaum. Write a response to Wolfers.

tone?

1 examples of rhetoric? example of each

1 Who uses stronger rhetoric?

2 Who is more convincing in terms of writing?

3 Who do you agree w/ on the issue? why?

Bring in your own examples support

Who do you side with on the issue?