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Elizabeth Warren: Going Big Bailing Out the Higher Education Lobby

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With President Donald Trump seemingly vulnerable politically, you would expect the Democratic presidential nomination process to attract the best and the brightest. Here is one of those fabled political inflection points, a moment the next president might engineer a major ideological alignment. Imagine joining Woodrow Wilson, Franklin Delano Roosevelt, and Lyndon Johnson on the progressive pantheon.

So far, alas, the Democratic contenders fail to impress. They are visiting the usual interest groups and making the usual promises, with those little radical twists so beloved by activists. But intellectual heft has yet to make its entrance. Elizabeth Warren is supposed to be the policy heavyweight, but consider her grand initiative to bail out the bloated, over-funded, highly politicized higher education lobby.

This is a winning idea?

Consider it a Marshall Plan for university administrators and professors. Warren would lavish another \$1.25 trillion — why start at a billion when you can add another three zeroes?! — on the college sector, which few people mistake as productive or needy. Everyone involved would be invited to belly up to the federal trough.

Washington would eliminate tuition at public colleges and universities. Government grants for student living expenses would increase by \$100 billion. A special fund of \$50 billion would be created for historically black schools. Write off most student debt, estimated to be about \$640 billion worth. Up to \$50,000 in student loans would be eliminated for students earning up to 100k a year. A portion would be eliminated for those earning up to a quarter of a million a year.

“This touches people’s lives,” Warren exclaimed. But it would be easier to touch them by simply loading up some B-52s with cash and bombing the countryside!

How to pay for it? Tax the rich, of course.

As giveaways go it’s a great plan. More than 42 million Americans would benefit. About 75 percent of student debtors would get a free ride. And the usual suspects employed by the educational blob would get guaranteed jobs.

What’s not to like?

First, Sen. Warren appears to be spending her “tax the rich” proceeds multiple times — she also wants universal childcare, increased affordable housing, and, of course, Medicare for all. That’s just to start before the first debate and candidates in the rear begin throwing policy long-bombs

to get attention. As the European welfare states well know, everyone has to pay more taxes to underwrite generous social benefits. As a result, the European tax systems are less progressive than America's revenue structure. Thus, the rich wouldn't pay off the university sector under Warren's plan. All Americans would do so.

Second, most people do not go to college and there is no reason they should. For many people higher education is a default, something they feel they are expected to do. As more people did so without much of a plan, job requirements naturally increased. A university degree now is expected for many jobs even if it not particularly useful.

Contrary to Warren's claim, much higher schooling provides few or no useful work skills. It is a credential, perhaps representing some level of commitment and discipline, but even those depend on the student's own commitment and experience. And as more people with little interest in more schooling per se get the degree, employers have little choice but to add other credentials, further increasing job requirements.

Making it easier for everyone to go to school for no reason is not the way to generate those heart-warming anecdotes of the disadvantaged kid reaching the stars. The Warren program has nothing to do with intent, need, or benefit. It would just toss money at something which is presumed to be a good thing, without any evidence of the claimed benefits. Other than for politicians, who would be buying votes and hooking even more people on government subsidies.

Third, the ambitious politico from Massachusetts would reward bad decisions and punish good ones. Want to go to college to punch your ticket? Mark time while you figure out what to do with your life? Enjoy a little more subsidized time at your parents' and Granddaddy Uncle Sam's expense? This is the plan for you.

What if you decide to eschew college as not for you? Seek a two-year rather than a four-year degree? Choose technical training over a university? Go to college but look for lower cost options? Work while in school to limit student debt? Once employed, pay down your debt more quickly than necessary? Then Warren plays you for the sucker. You get to pay for everyone else.

Fourth, the Warren plan is reverse income distribution at its worst. She complained that student debt is "the result of a government that has consistently put the interests of wealthy and well-connected over the interest of working families." How is that, exactly? Most students go to college as a means to increase their future earnings. That is, they capture most of the benefits of attending.

Surely Warren knows that her comparison of college to K-12 schooling makes no sense. The social benefits of education are strongest at the most basic levels — learning reading, writing, and arithmetic! — and fall sharply at higher levels. The value almost certainly turns negative at schools which promote left-wing esoterica, like providing coloring books to students to soften the impact of hearing views different from their own.

Indeed, two-thirds of Americans don't go to college. Warren would have them underwrite their mostly better-off neighbors. Give South Bend, Indiana Mayor Pete Buttigieg credit for his response: "Americans who have a college degree earn more than Americans who don't. As a progressive, I have a hard time getting my head around the idea of a majority who earn less because they didn't go to college subsidizing a minority who earn more because they do."

But this is what interest group liberalism is all about. Public school systems are favored over students. Corporate behemoths are protected from fiscal irresponsibility courtesy the taxpayers. Incumbent businesses are shielded from competition at consumer expense. Interest group liberalism is predicated on aiding the worthy — if politically influential — against everyone else.

Fifth, higher education is awash in cash, and that influx has inflated the very tuition costs which Warren denounces. Schools are aware that federal taxpayers are tossing billions of dollars in loans at students. Which means more kids can afford to pay more. Thereby reducing resistance to rising tuition.

Of course, students and their families are big losers from this process. They pay higher tuition and with loans that must be paid back. The total cost of education rises, hobbling students' financial future. The problem is not government policy favoring the "wealthy and well-connected," but designed to benefit the university complex. Which has made many of its members wealthy and well-connected. Academia may be the highest, most jealously guarded progressive redoubt in American society.

Sixth, the logistics of such a program would get messy very quickly. Once established, subsidies would become sacrosanct. The pushing and shoving at the federal trough would become fearsome to behold. Would money be distributed by formula? Who would get to set the numbers? Does anyone imagine Congress staying out of the porkfest?

Warren explained that "The federal government will partner with states to split the costs of tuition and fees and ensure that states maintain their current levels of funding on need-based financial aid and academic instruction." How precisely would she do that? Uncle Sam can't force states to subsidize education. Would she punish students if their states cut back by reducing federal subsidies? What if states chose not to increase funding as new students, attracted by the prospect of a freebie degree, flooded in? Would influential Congress stand by members' districts and states were penalized?

Obviously, Washington could easily cancel the student debt that it owns. What about privately held loans? Paying off banks would be a subsidy to them, as if they need it. Warren apparently realizes that, having said the feds would "work with the borrower and the owner of the debt" to encourage its elimination. Which means what? Tell bankers they should write off the loans? Good luck with that! Make them see the wisdom of that course by adopting a Corleone approach? Even most liberal judges wouldn't square that with the Constitution. If more coercive approaches were successful, consider the consequences for the health of the financial system and future of employees and shareholders, who are not as well off as Sen. Warren, and many of the students she wants to aid.

Seventh, reducing competition in higher education isn't likely to improve the quality of schooling. There is no reason to presume that Americans get their money's worth from all the private and public money spent on colleges and universities. Insulating government-funded schools from competition would not improve any of them.

Yet Warren's plan would put private schools in a deep financial hole, making them even less competitive economically. It hardly seems fair to use the taxes paid by their administrators, professors, graduates, and students' parents to underwrite competing schools. And doing so

would render an entire echelon of competitors too expensive. That would be a gift of monopoly to the public sector.

Of course, private schools might thwart Warren's public preference. No doubt, they would clamor for their place on the federal teat, to gain a subsidy at least equivalent to that delivered to public institutions. And who believes progressives willing to saddle working stiff's with the cost of sending kids of privilege to public university would stop there? Especially if private schools promised to adopt whatever progressive mandates Warren's colleagues were inclined to impose. Then her budget estimates would fall by the wayside, and the tax burden would have to be increased even more on those working families Warren claims she wants to protect.

Eighth, once the formulas are established for doling out the loot to colleges and universities across the nation, administrator and professors alike could look forward to the good life with even fewer worries about accountability. Today schools sometimes don't attract enough students and fail. If cash is available for even the most unsuitable student to attend the least effective school, would even the worst institution ever have to close its doors?

Bankruptcy is painful, but it performs an important public service: it frees up potentially productive resources for use elsewhere. That applies to the education sector no less than elsewhere in the economy. Once provided, subsidies would be virtually impossible to end, as legislators lined up to protect institutions in their districts and states. Colleges and universities would become welfare dependents.

Ninth, the economic benefits of Warren's plan to enrich higher education are imaginary. There's no free money: paying tuition and canceling debts means diverting resources from other people and uses. If writing off debt really would create the wonderful "economic stimulus" that she predicts, then why not apply the principle more broadly?

Many people are burdened by high mortgages, which helped trigger the 2008 financial crisis. Why not wipe the mortgage slate clean? Some people go into debt to purchase vehicles necessary for work and life. Why not eliminate all auto-related debt? People accumulate personal debt for all sorts of good and important reasons, providing social as well as economic benefits. Why not free people from these debts? The feds could create a tsunami of economic stimulus by getting rid of all debt now and forever more!

Warren's educational lobby bail-out is a bad idea. But the biggest problem is principle, not practical.

Warren calls college "a basic need that should be available for free to everyone who wants to go." But why stop there? Food is a basic need. Housing is a basic need. Clothes are a basic need. Health care is a basic need. Transportation is a basic need. Even culture is a basic need. For progressives, what isn't a basic need? Why not make them all free for everyone? For Warren, "basic need" is living your dream at someone else's expense.

Moreover, she says this is a great deal since "we can fully cover the costs of these ideas with revenue from my Ultra-Millionaire Tax on the wealthiest 75,000 families in the country — those with fortunes of \$50 million or more." Granted, most people, me included, would like to live at someone else's expense. However, why does having more money obligate someone to underwrite everyone else?

The rich earned their cash. If the system was unfair — and our own is permeated by the seemingly endless looting and pillaging in Washington — then it should be reformed. But wealth per se, no matter how “excessive” it might seem to social engineers like the former academic turned Massachusetts politician, does not belong to Sen. Warren, and the other well-connected, influential, and pampered members of the political class.

The Democratic presidential contest has barely started and candidates are spewing forth their worst nightmares as their electoral platforms. The race for November 2020 is likely to be even longer and more painful than the worst pessimists imagined.

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