



Cato Institute Sues to Stop Biden \$400 Billion Student Loan Bailout

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November 9, 2022

The libertarian Cato Institute filed a lawsuit to stop President Joe Biden’s student loan bailout with the help of the New Civil Liberties Alliance. The cost of the bailout has been estimated at around \$400 billion. The federal lawsuit argues that Biden’s student debt cancellation plan will put the think tank at a disadvantage when hiring and retaining employees.

“The mass cancellation of federal loans reduces—and in many cases eliminates—the congressionally enacted incentives for such employees to work at 501(c)(3) organizations like Cato,” attorney Sheng Li told The College Fix via email. The Public Service Loan Forgiveness program “provides strong incentives for talented employees and jobseekers who carry student-loan debt to devote a significant portion of their careers to nonprofit work,” according to the lawsuit. Li told The Fix that the next step is a hearing November 17.

The Biden initiative wipes away the “materially improved position to attract and retain talented employee-borrowers” that nonprofits gain from the Public Service Loan Forgiveness program, according to the lawsuit. Li, the attorney, also argued that the bailout is unconstitutional by appropriating money without the approval of Congress.

Li told The Fix that Speaker of the House Nancy Pelosi previously said Biden could not bail out borrowers by executive action. “People think that the President of the United States has the power for [federal student] debt forgiveness,” Pelosi has said. “He does not. He can postpone. He can delay. But he does not have that power. That has to be an act of Congress.”

Li told The Fix: “I do believe that the questions of whether to cancel loans, for whom, and how much, are important issues that only Congress can address.” President Biden relied on a 9/11-era law called the HEROES Act which gave the Department of Education the power to waive student loans payments during national emergencies – in this case, the outbreak of COVID-19.

The Fix emailed the Department of Education’s media affairs department for comment on this lawsuit twice in the past two weeks but did not receive a response. However, as noted in the lawsuit, the president has said the “pandemic is over.” “On September 18, 2022, however, President Biden declared on 60 Minutes that ‘the pandemic is over,’ adding that “no one’s wearing masks. Everybody seems to be in pretty good shape,” the lawsuit stated. “Defendants have not

identified a new ‘national emergency’ that would trigger the Secretary’s authority under the HEROES Act,” attorneys wrote in their lawsuit.

A similar lawsuit has been filed by the Pacific Legal Foundation, a right-leaning nonprofit, against the bailout.