

Student loan mess serves no one well

July 12, 2013

The student loan program, like so many federally run operations, is a winsome political slogan that masks a fiscal disaster aimed at propping up a special interest - higher education.

On Wednesday, Sen. Joe Manchin, D-W.Va., helped to derail an attempt in the Democratically controlled U.S. Senate to preserve the disaster rather than resolve it.

Good for him.

The vote in the Senate would have restored 3.4 percent interest rates on taxpayer-subsidized Stafford loans for one more year, according to The Associated Press.

"Today our nation's students once again wait in vain for relief," lamented Sen. Tom Udall, D-N.M., when the bill failed. "They expected more of us and I share their disappointment."

What, one wonders, does he tell the rest of his constituents?

As The Wall Street Journal put it in a recent editorial,

"Government researchers continue to show that federal student loans are hazardous to both students and taxpayers. . .

"The Congressional Budget Office recently estimated taxpayer losses on student loans at \$95 billion over the next decade."

Student loans do a number on students, too, because they feed the spiraling cost of higher education - the real beneficiaries of the subsidy.

As University of Tennessee professor Glenn Harlan Reynolds, author of "The Higher Education Bubble," said in a column for the Journal:

"Colleges have responded to the availability of easy federal money by doing what subsidized industries generally do: Raising prices to capture the subsidy."

"Sold as a tool to help students cope with rising college costs, student loans have instead been a major contributor to the problem."

The Journal said: "The never-ending federal effort to 'make college affordable' [there's the slogan part] simply provides the resources to sustain higher prices."

Neal McCluskey of The Cato Institute described wimpy measures like the one that failed in the Senate as "a miniscule improvement . . . like banging out a single dent in a car that's careened off a cliff, rolled over twenty times, and caught fire."

Republicans and fiscally responsible Democrats like Manchin are right to insist on a more permanent solution.