



When It Comes to Student Loans, It's All Political

By Neal McCluskey

September 24, 2014

Writing in the [Wall Street Journal last week](#), the American Enterprise Institute's Andrew Kelly and Kevin James were almost certainly right: the fleeting return of Sen. Elizabeth Warren's (D-MA) bill to furnish lower rates on existing student loans – both federal and private – was largely politically driven. Offering to lower interest on loans that borrowers freely accepted at higher rates, and have the cost eaten by the always great-for-abuse “rich,” reeks of mid-term election vote-grubbing. But let's be honest: Doing anything other than calling for the phasing out of aid is probably also, to a large extent, political.

As I've reiterated on numerous occasions, federal student aid is almost certainly self-defeating, enabling [rampant tuition inflation](#), massive [noncompletion](#), wasteful [campus extravagances](#), and dangerous [credential inflation](#). The response to this from more progressive types is usually that I'm wrong in my conclusions, or I'm too callous about the plight of lower-income Americans. From the right, the answer is usually that I'm pretty much correct in my assessment, but getting rid of aid is “politically impossible.” Many on the right then offer, as Kelly and James did, very marginal changes, like expanding Income-Based Repayment, and even possibly plussing-up grants for lower-income students.

The important point here is that both rejoinders are ultimately political in nature. Because the evidence of aid's huge deleterious effects is too powerful to dismiss, as liberals often do, this strongly suggests that their response is intended to win politically by maintaining counterproductive but popular programs. The conservative response is politically defensive, refusing to engage wholeheartedly with reality because doing so is politically tough. Alas, neither side ultimately does the public any service, including the poor, who are least able to tackle hyper-inflated costs. Both are allowing a federal aid system that is hugely damaging – not to mention [unconstitutional](#) – to continue on.

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