

TIME

'This Feels Like the Closest We've Ever Been.' Why Growing Demands for Student Debt Forgiveness Could Be Joe Biden's First Presidential Test

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Roughly two months out from Inauguration Day, Joe Biden is already facing a brewing political storm among his ideologically-diverse base of supporters, who disagree over the issue of student loan forgiveness.

As COVID-19 cases continue to surge—while federal economic protections for student loans, evictions, and expanded unemployment expire in December—a powerful coalition of Democrats, led by Sen. Elizabeth Warren and Senate Majority Leader Chuck Schumer, is pushing Biden to use executive action to cancel \$50,000 of student loan debt per person as a form of economic stimulus. Meanwhile, some Democratic voters, joined by moderate Republicans who helped Biden win in key swing states, are looking on in horror. They argue that offering significant relief to people with existing student debt relief is deeply regressive: it excludes a population of blue-collar workers who never earned a college degree but are bearing the brunt of this economic downturn.

Fresh off a successful campaign in which he promised to bridge partisan divides and heal America, Biden is stuck in the middle of this contentious debate. Whether he can navigate it, successfully keeping all contingents happy, may set the tone for the rest of his presidency.

Progressives: Now is the time to fight

The Democrats' progressive base has been organizing for student loan forgiveness for more than a decade and see early next year as ripe for action. "Executive action on student debt cancellation feels like one of the most accessible executive actions to stimulate the economy at the moment," says Suzanne Kahn, the director of Education, Jobs, and Worker Power and the Great Democracy Initiative at the liberal Roosevelt Institute. "This feels like the closest we've ever been."

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Roughly 45 million Americans currently hold \$1.6 trillion in student debt, with the average student loan recipient paying off between \$20,000 and \$25,000 in loans, according to the Federal Reserve. Among those actively making payments on that debt, the average installment is between \$200 and \$300 monthly. With 5.3 million more people still unemployed than there were in February 2020—and with consumer spending still depressed—progressives say that sweeping student debt forgiveness could act as a targeted economic stimulus, according to supporters, including Reps. Alexandria Ocasio-Cortez and Ayanna Pressley.

What's more, progressives say, Biden could forgive billions in debt using executive action, rather than attempting to wrangle with a potentially Republican-controlled Congress. They argue that the 1965 Higher Education Act (HEA) gives the Department of Education the power to create and cancel debt owed under federal student loan programs: Biden could simply direct a new Secretary of Education to wipe out tens of thousands of dollars of debt per student overnight.

"It's a stimulative executive action that would reach a lot of people that Joe Biden could do in his first week in office without Congress," says Kahn. "There just aren't that many ways for him to put that \$300 or \$400 back in the pockets of 45 million Americans with that speed."

Kahn and others say that move would also help close the wealth gap between white Americans and people of color. Some 90% of African American students and 72% of Latino students take out loans for college, versus just 66% of white students who do so, according to a [2016 analysis](#) from the Consumer Financial Protection Bureau. Further, while the median debt for white borrowers is reduced by 94% within 20 years of them starting college, Black borrowers at the median still owe 95% of their original balance after the same period, according to a [2019 report](#) out of Brandeis University.

A potential legal battle

More fiscally conservative Democrats, and many moderate Republicans who supported Biden this election, argue that sweeping student loan forgiveness is precisely the wrong path forward, in part because Americans with a college degree have been, as a whole, *less* devastated by the economic effects of COVID-19 than their non-college-educated counterparts. While many white-collar office jobs were able to adapt to the pandemic world, by encouraging remote work or moving once in-person activities online, many traditional blue-collar jobs, like waitressing, bartending, and hospitality work, have been warped, down-sized or eliminated.

A [late September report](#) from Pew Research Center found that only 12% of people with college degrees were having trouble paying the bills amid the COVID-induced recession, versus 27% of Americans with some college education and 34% of Americans with a high school diploma or less.

There's also the trillion dollar question of how the government pays for mass debt forgiveness, says Neal McCluskey, the director of the Center For Educational Freedom at Cato, a libertarian think tank. He says the burden of debt relief would likely have to be passed off to other parts of society in some form. "The idea of stimulus sort of goes out the window if we're just sort of moving under a shell where the money is and where it's coming from," says McCluskey. (Some economists [argue](#) that concern doesn't make economic sense, since the federal government issued the debt in a currency it also prints at a time when inflation is low.)

Then there's the matter of whether Biden even has the power to use the Higher Education Act in the way that progressives suggest. "It looks like it would be a pretty interesting debate about whether [Biden] would even have the authority in law to do what Senator Schumer is asking him to do," McCluskey says. "And that could be a really big legal battle."

Eileen Connor, Legal Director at the Project on Predatory Student Lending out of Harvard Law School, which has [supported Warren](#) in advocating for the policy fix, says the power to cancel debt is clear. "The language in the HEA is broad, has been there from the beginning, and has not

been narrowed,” she says, “even as Congress has put other cancellation authority into the HEA and limited the compromise authority of other agencies in different ways.”

Still, some critics raise concerns about other unintended consequences. If there’s precedent that the government can wipe out student loans moving forward, future college students may have an incentive to take on more debt, believing there are good odds it will be forgiven. Colleges may then be inclined to raise their prices even further as students continue to be willing to pay higher prices, McCluskey says.

A middle path?

In recent weeks, Biden has walked a fine line on the issue. He has said that a bill from House Democrats calling for \$10,000 worth of forgiveness of student loans “should be done immediately.” But he has stopped well short of endorsing anything close to Warren and Schumer’s plan of issuing \$50,000 per person in forgiveness through executive action.

Biden’s pared-down “compromise” might be part of its own political shell game, analysts say. Schumer and Warren’s plan may be a bargaining chip: it represents, perhaps, a more extreme option, giving cover to Biden’s comparatively more cautious approach, McCluskey says. “Then the Biden administration can focus on getting \$10,000 of debt forgiveness for everybody through Congress, or maybe even through executive action, which will seem much less extreme and people will be kind of okay with it,” he says.

What’s clear, according to economists on both sides of the aisle, is that economic recessions, like the one we’re in now, tend to exacerbate the problem of student debt. The last time the U.S. dipped into a recession—in the late 2000s—the unemployment rate hit 10.6% and banks foreclosed on an estimated 3.8 million homes. Amidst that collapse, federal and state governments invested less in colleges and universities, which, in turn, raised their tuition prices and forced students to take on ever-larger loans. Between 2006 and 2012, inflation-adjusted tuition at public four-year institutions rose 19%, according to the Hechinger Report. Since 2006, America’s collective student loan debts have more than tripled, as students have struggled to find jobs with big enough salaries to cover their sky-high debts.

That’s not sustainable in the long run. But it remains to be seen if the President-elect can arrive at a political solution that is.