



Schumer Slams ‘Fat Cats’ Who Don’t Want to Cancel Student Loans

Ben Zeisloft

June 30th, 2022

Senate Majority Leader Chuck Schumer (D-NY) argued last week that student loan cancellation is “not a problem that concerns the wealthy.”

The comment came as Democratic lawmakers continue to evaluate policies that would scrap large amounts of student debt. The Biden administration is reportedly considering a plan to cancel \$10,000 in student loans per borrower, yet Schumer argued last July that “all President Biden has to do is flick his pen” rather than passing legislation through Congress to erase up to \$50,000 per borrower.

“Let’s dispel one awful myth right here: This is not a problem that concerns the wealthy or the Ivy League,” Schumer said last week. “All of these fat cats, and people who never want to see help for working people and poor people come up with these myths.”

In an interview with The Daily Wire, Cato Institute policy scholar Neal McCluskey explained that debt cancellation would be “regressive” — benefiting wealthy borrowers to a greater extent than those in other income brackets.

“Wealthier people are more likely to go to college and in particular, more likely to go to graduate school than lower-income families,” McCluskey said, noting that roughly half of student debt was incurred by the 25% of borrowers seeking graduate degrees.

Likewise, many debt cancellation policies fail to consider the human capital investment that student loans represent.

“If you estimate the amount that people will end up earning as a result of the degrees, you can see that people who take on student debt are really going to end up well off on average,” McCluskey remarked. “The average person with a bachelor’s degree makes about \$1.2 million more over their lifetime than someone with just a high school diploma. If you go to somebody with a professional degree — like a medical degree or a law degree — they end up making about \$3 million more over their lifetime than somebody with just a high school diploma.”

McCluskey pointed to Brookings Institution [data](#) showing that one-third of student debt is owed by the wealthiest 20% of households, while 8% is owned by the bottom 20%. “Wealthy people do take on debt, and a lot of that debt is for graduate school,” he added.

McCluskey said that without meaningful reforms to the federal student aid process, action to cancel debt — especially via executive order — would only serve to raise costs.

“It would clearly have negative, unintended consequences going forward of encouraging even more rampant price inflation than we’ve seen in college over the last several decades,” he said. “Anybody going forward will say, ‘You know, I should really be willing to take out a lot more debt because how could the federal government cancel all this debt before but then tell me they’re not going to do it?’ And that also means that colleges have a greater incentive to increase their prices, because they say, ‘There’s no way the federal government will not forgive the debt of the students who we take on.’”

Between 2002 and 2022, average tuition and fees at private universities increased by 144%, according to data from [U.S. News and World Report](#). Average private university tuition is currently \$43,775, while average in-state public university tuition is \$11,631.