



## Experts: Bernie's Loan Bailout Benefits Law, Med Students

Todd Beamon

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Sen. Bernie Sanders, the Vermont independent who hopes to vault his campaign for the Democratic presidential nomination out of third place, is pitching a student-debt forgiveness plan that experts tell Newsmax will benefit only graduates of medical, law, and business schools while unfairly taxing middle-income Americans.

Far from being a socialist tool to level the playing field, the Sanders plan effectively ignores the blue-collar voters he professes to want to help the most and benefits high earners, the experts say.

Beth Akers, a senior fellow at the Manhattan Institute, says: "We're giving a lot of taxpayer dollars away to people probably who are far from the neediest in our economy. These are the people who are getting the bailout."

### Favoring Top-Level Grads

How exactly does Bernie's plan benefit the people who need it the least? "A smaller share of people go to graduate school and they borrow the most money," Jason Delisle, a resident fellow at the American Enterprise Institute, explains to Newsmax.

Making matters worse, experts say, is the reality of who is paying the tab for these high earners.

"This'll be a terrible burden on middle-class Americans who are saving for retirement," University of Maryland economist and professor Peter Morici told Newsmax. "It's not a tax on institutional investors. It's on ordinary people.

"Bernie would like you to think that there's money out there for free — and there isn't."

### The Plan

Introduced in the Senate on June 24 as the College for All Act, Sanders' plan would cancel \$1.6 trillion in student debt, saving an estimated 45 million Americans an average of about \$3,000 a year.

The cancellations include all private and graduate school debt — and Sanders' bill would make public universities, community colleges, and trade schools tuition-free.

The plan would cost \$2.2 trillion over 10 years, paid for by a new tax on Wall Street financial transactions. They include 0.5% on stock deals, 0.1% tax on bond transactions and 0.005% on derivatives trades.

Sanders argues the cancellations would amount to a stimulus for millennials, in particular, allowing them to buy homes and participate in the broader economy.

At his Monday news conference, Sanders said the plan "completely eliminates student debt in this country and the absurdity of sentencing an entire generation, the millennial generation, to a lifetime of debt for the 'crime' of doing the right thing. And that is going out and getting a higher education."

Similar legislation was introduced in the House by Reps. Ilhan Omar, D-Minn., Pramila Jayapal, D-Wash., and Rep. Alexandria Ocasio-Cortez, D-N.Y.

But Bernie's math just does not add up, experts say, telling Newsmax that middle-income investors would be hit with the bill for bailing out graduate and professional students — many with degrees carrying high-earnings potential — under a federal government system that pushes irresponsible borrowing and encourages colleges to raise tuition rates even higher.

The real problem for millennials, Morici says, is colleges that turn out students with pointless degrees.

"Colleges and universities are imposing a terrible tax on young Americans — basically, throwing them into debtors' prison — by charging them outrageous tuition for worthless educations," he says.

"A good number of the diplomas that are granted these days are absolutely worthless."

As such, Sanders' plan is merely political, Manhattan Institute's Akers says.

"They're needing to buy support from this constituency through loan forgiveness," she tells Newsmax, "but they're not buying support for helping people who are struggling with student loans or the cost of college.

"It would be impossible to get political support for things like free college, or even an expansion of student-loan forgiveness for people who really are struggling, unless there is a giveaway to the people who are more-well-off," Akers says.

### **\$1.5 Trillion in Student Debt**

Student debt has reached astronomical levels, totaling \$1.49 trillion in the first quarter of this year, according to the Federal Reserve Bank of New York. That was up **\$29 billion** from the same quarter last year — and 10.9 percent of the debt is 90 days or more delinquent.

Last year, the average student owed \$37,172 at graduation, up from \$20,000 from 2005. In 2017, American student-loan debt **outstripped** credit-card debt by as much as \$552 billion.

Overall, default rates are **growing**, with the liberal Brookings Institution projecting last year that "nearly 40 percent of students who took out loans in 2004 may default by 2023."

Regarding degrees, recent Education Department data show 26% of federal loan borrowers hold advanced degrees, but **they owe** 48% of debt outstanding.

In addition, AEI's Delisle calls "suspiciously absent" from Sanders' plan — or a similar one from Sen. Elizabeth Warren, D-Mass., for that matter — proposals that would abolish outright federal lending programs.

"By the absence, you can see that these programs are contemplating the continued existence of the student loan program, which seems strange," Delisle said.

Students can also use their loans to pay living expenses — a common practice among graduate students, Delisle notes — and those funds would be waived under the Sanders plan.

"So, you're forgiving people for what?" he asks. "They decided to borrow more for their living expenses when they didn't need to?"

### **The Millennial Argument**

Experts readily acknowledge to Newsmax that heavy loan burdens have saddled millennials but contend the Sanders;' plan is not the way to help them.

"This greatly constrains the ability of basically people under the age of 40 who piled up a lot of debt going to college to buy homes, start families," economist Morici tells Newsmax.

"It's one of the reasons for the declining birth rate," he adds. "It's another reason for the very soggy housing market. It's a reason why we don't grow very rapidly."

However, "The problem isn't doing it," he says of Sanders plan. "The problem is finding the money to do it."

### **Feds Pushing Heavy Borrowing**

More broadly, the student-debt crisis is driven by lax federal lending standards — Diego Zuluaga, a Cato Institute policy analyst, says the system has been "rigged by government intervention" — and greediness among educational institutions.

"If people have borrowed too much because they have been encouraged to by the government, then that investment is lost, unfortunately," he tells Newsmax.

In 2015, a New York Fed-Brigham Young University study found that for every dollar received in federal loans, colleges raised tuition rose by 60 to 70 cents and the correlation was "most pronounced" for graduate degrees and at private institutions.

"So, right away," Zuluaga tells Newsmax, "you have 60 percent of federal student aid going to increased tuition prices.

"It's a very ineffective way to increase college affordability."

### **Arbitrary Unfairness**

Over all, the Sanders plan has "an incredible amount of arbitrariness" Delisle and other experts tell Newsmax, and that breeds widespread unfairness.

Akers, of the Manhattan Institute, says: "It's punishing the people who did things the right way: going to a low-cost institution, saving and living frugally, working — at least part-time — to pay for some of your expenses.

"Those are things we tend to applaud," she adds, "yet a student-loan jubilee is really benefitting and rewarding people who borrowed every penny and went to a higher-cost program of study.

"I'm not saying that's the wrong path, but that's the behavior that we're implicitly rewarding."

### **Loan-Forgiveness Programs**

The Education Department has many income-based repayment programs that experts tell Newsmax are much more effective than what Sanders is proposing.

They include allowing students to pay a percentage of their discretionary income over as many as 25 years, especially if they work in the public or nonprofit sections. Their remaining **debt** would then be wiped clean.

"We already have a loan-forgiveness plan that actually tries to sort out who can pay and who can't," Delisle says. "Why can't we just go with that?"

Akers observes: "Income-based repayment programs with loan forgiveness is a good way of making sure that nobody falls through the cracks on their student loans.

"The terms of our existing programs are very generous, but we don't talk about those because they're a much-less-sexy solution than a loan jubilee."