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## An Interview with Neal McCluskey: Student Aid and Fiscal Responsibility Act

Written By: [Michael F. Shaughnessy Senior Columnist EducationNews.org](#)

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An Interview with Neal McCluskey: Student Aid and Fiscal Responsibility Act

**Michael F. Shaughnessy** - August 26, 2009

Senior Columnist EducationNews.org

Eastern New Mexico University

Portales, New Mexico

### 1) Neal, you have written fairly extensively about the SAFRA Act. What initially got you interested in that?

I do a lot of work on federal education policy, so I had to take some interest in the bill. However, the part of the legislation that has most interested the media and ivory tower – eliminating federal guaranteed lending and replacing it with all direct lending – seems hugely overblown to me. Yes, it would eliminate many private entities' role in federal lending, but having Washington almost completely back every federal loan made by "private" companies hardly seems much better than having Washington do all the lending directly. So what really ended up piquing my interest in SAFRA wasn't its main component, but promises by its author, Congressman George Miller (D-CA), that the bill would create or expand all sorts of federal education programs while reducing the federal deficit, all paid for by the savings generated by going from guaranteed to direct lending.

### 2) What are the pros and cons of this Act?

The potential pro is that by going from guaranteed to all direct lending the act really could put significant money toward desperately needed debt reduction, and do so without encountering the political stumbling block of hurting current aid beneficiaries. Loans would still be fully available, only without an expensive middle man. Unfortunately, that's the extent of the pros – and the bill wouldn't even deliver that.

SAFRA's primary con is that it is simply political business as usual in an era of hope, change...and massive escalations in federal debt. Rather than using savings to rein in out-of-control federal outlays, SAFRA spends it all – and then some. It would provide massive new funding for Pell grants. It would furnish new money attached to new rules for early-childhood education. It would deliver new dollars to community colleges. It would provide billions for elementary and secondary school facilities. And ultimately, rather than reducing the debt, it would expand it; according to CBO estimates, by anywhere between \$6 billion and \$40 billion over ten years.

### 3) In terms of your op-ed what were the main points that you were trying to make?

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The main purpose for writing my Forbes piece was simply to alert people to SAFRA. The legislation would do a lot of pretty significant things, but no one has been giving it the time of day as health care has monopolized the headlines. I also wanted readers to know that far from being the debt-reducer SAFRA is touted as, it would almost certainly add to the national debt, something we cannot afford. I also thought it worth explaining that although federal guaranteed lending is not the bulwark of capitalism its defenders make it out to be, eliminating it probably would have an adverse effect on what truly private student lending currently exists. And finally, I wanted to explain to readers that if anything, we want to reduce federal student aid because it encourages millions of people to pursue education they either don't need or can't handle, and drives up college prices in the process.

**4) Now, in your blog, could you provide the issues that you think are important?**

On the Cato@Liberty blog, I supplemented my Forbes piece with information from CBO estimates that came out after my op-ed was written. That consisted of both the "official" CBO scoring of SAFRA showing it costing taxpayers additional billions, and a letter indicating that if one accounted for the new risk attendant to much-bigger direct lending, SAFRA could cost taxpayers additional tens-of-billions.

**5) On the one hand, we want to help those who truly desire to go to college, yet on the other hand, I personally do not want my tax dollars to be supporting a person for 7 years....your thoughts?**

Ultimately, it's very simple: When people pay for something with their own money they tend to use it wisely and efficiently. When they pay for it with someone else's money – and that's what they do with federal student aid – they tend to waste it. That's why we should be phasing out federal student aid, yet SAFRA would increase it. And that's to say nothing of the desperate need to pay down to national debt.

**6) What have I neglected to ask ?**

What are the prospects for this bill?

What will happen with SAFRA is a bit up in the air, but it seems likely to be rolled into budget reconciliation, making its passage fairly certain. Even if that doesn't happen, though, it seems likely to pass because everyone is paying attention to health care, and a \$40 billion cost to taxpayers – though a lot of dough -- feels relatively small in the age of TARP, "stimulus," and other federal money bombs. Still, \$40 billion is a lot of money, and it might eventually catch more peoples' eyes.



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