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Neal McCluskey: Government role will leave us with the bill

By NEAL MCCLUSKEY

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America is teetering on the edge of a nearly $12 trillion abyss called the "national debt," a financial chasm that threatens to swallow our economic future whole. And what are our leaders doing about it? If a bill working its way through Congress is any indication, they're insisting that they're pulling us away from doom while blithely expanding the monstrous hole.

The bill is the Student Aid and Fiscal Responsibility Act (SAFRA), the focal point of which is elimination of the Federal Family Education Loan Program -- which uses federal bucks to back student loans from private lenders -- and replacement with lending straight from Uncle Sam.

But that's hardly all it would do. The bill would use the savings from the transition to fund a plethora of new or expanded federal programs. But how much will going from guaranteed to all-direct lending really save, and will it be enough to pay for the bill's new spending?

The savings figure SAFRA supporters have been using is $87 billion over 10 years, a number generated by a June Congressional Budget Office estimate. Touting that figure, the full House approved the bill a couple of weeks ago. The Senate is now working on its version of SAFRA.

But here's the thing: A series of CBO reports released after the initial estimate have indicated that the savings are likely to be much lower than advertised, and the bill's total burden on taxpayers much heavier.

CBO assessed the total cost of the bill -- not just the expected savings from transitioning to all direct lending -- last summer. The estimate: Rather than saving them anything, the bill would likely cost taxpayers $5.7 billion over 10 years, and that didn't include a dime for deficit reduction.

That was just the beginning. Three days after his office released its official scoring, CBO Director Doug Elmendorf answered an inquiry by Sen. Judd Gregg, R-N.H., about estimated savings were the CBO to fully account for lending risk. Elmendorf's reply: The savings would be about $33 billion less than originally predicted. Finally, in September, the CBO determined that the cost of ramping up Pell Grants, a major component of the bill, could be $11 billion greater than initially thought.

Sadly, rather than acknowledging that SAFRA would impose new burdens on taxpayers, supporters have attacked Republicans as dirty tricksters for requesting CBO's additional estimates. They also continue to imply that the

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entire bill would save money despite no CBO analysis showing that.

Unfortunately, the major temptation for bill opponents has been to declare that removing "private" companies from federal lending somehow undermines free enterprise -- as if having Washington guarantee lenders' profits and push artificially cheap money at students is what freedom is all about.

No, the most important part of this story is that despite promises of fundamental change in Washington, we're getting bankrupting and deceitful business as usual.

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