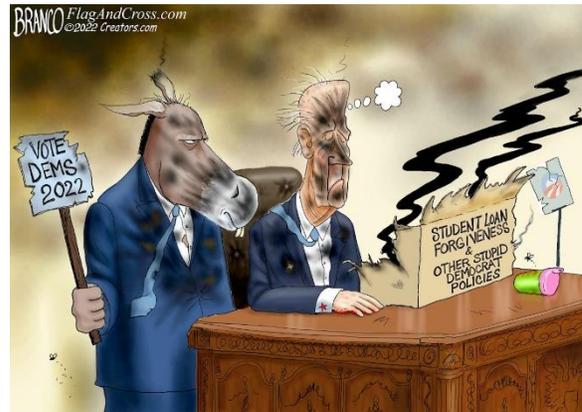


If you don't regularly receive my reports, request a free subscription at steve_bakke@comcast.net !
Follow me on Twitter at <http://twitter.com/@BakkeSteve> and receive links to my posts and more!
Visit my website at <http://www.myslantonthings.com> !

Education rebates for the privileged (A tax benefit too!)

By Steve Bakke  September 12, 2022



Is the forgiveness of student debt fair? Is it constitutional for President Biden to take these actions unilaterally? In December 2020 he thought it “pretty questionable” as to whether he had the authority. And Speaker Pelosi assured us that only Congress has the authority required to accomplish massive student debt forgiveness. Apparently, they’ve flip-flopped on those earlier opinions.

Does student debt forgiveness send the wrong message regarding personal responsibility and accountability for one’s actions? Do we want to turn secondary education into an “entitlement”? And let’s be clear that this isn’t a forgiveness or cancellation of debt. It’s simply a transfer of the obligation to others. The debt holders will still get paid. Emotional arguments and circular discussions abound. Setting aside all the noisy debate, the bottom-line justification for this action, as claimed by the administration, is to help those in need.

I’m sure there are many individual examples for which student debt relief is justified. But is the sum-total of this action actually focused on help for the needy? And maybe there’s another side of this issue that the administration is avoiding in their sales pitch. Perhaps the GOP isn’t the “evil grinch” as they’re being portrayed.

Let’s take a look at a profile of student loan obligations. The Urban Institute found that “most outstanding student loan debt is held by people with relatively high incomes is disproportionately concentrated among the well off.” A study by the Wharton School found that “between 69% and 73% of debt to be forgiven accrues to households in the top 60% of income distribution.”



The top 10 percent of income earners would receive as much benefit as the bottom 30 percent, according to the University of Chicago. These debt reductions amount to \$10,000 to \$20,000 per person. And incredibly, according to Brian Riedl of the Manhattan Institute, a typical millennial earning a degree and owing \$30,000 total debt, can expect to experience in excess of a \$1,000,000 lifetime income enhancement. Is it intended that this large majority of benefits will be going to those most able to repay?

We can and should provide help for former students desperately needing help repaying their student loans. But remember that this debt reduction for individuals is available to individuals with up to \$125,000 in income or with family income up to \$250,000. Is that a good description of “help for the needy”? Do we want to spend over \$500 million on this highly regressive program? And the Penn Wharton Budget Model projects even higher costs. It estimates the cost could reach \$1 trillion over 10 years.

It's clear that the value of many educational programs isn't justified by their cost. That's the message being sent by the wage and salary marketplace. And sadly, the real problem of skyrocketing college tuition isn't being improved. In fact, this action will probably make the problem of escalating education costs even worse. Based on past experience, colleges will see this action as a windfall and an opportunity to increase tuition charges.



We're being schooled on the price of buying 30 to 40 million, mostly millennial, votes. But that's only part of the price. Beneficiaries will also receive tax benefits. Unlike other forms of debt forgiveness, this financial benefit will not be taxable. You can't create financial assistance for the “privileged,” and call it “helping those in need.” But the “gaslighting” progressives have already been working hard to do so. The truth of the financial status of most beneficiaries simply isn't being disclosed.

We're not sure how the action will benefit America, nor who will pay the price. About all we can be sure about is that it amounts to education rebates primarily for the privileged. Such is the state of politics in America.