The Daily Dish

Finally!

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After 18 months of teasing progressives and torturing those with common sense, President Biden has announced his student loan forgiveness order. Subject to income limits of $125,000 for individuals and $250,000 for families, the order forgives $10,000 ($20,000 for those with Pell Grants) of student loan debt. There is little point belaboring the demerits of this misbegotten maneuver; Eakinomics has spilled enough ink (and engaged in enough primal scream therapy) over the issue.

Instead, let's focus on two new questions. First, *how* did the president do this? Second, was there a better way?

Regarding the first question, there is a Department of Justice legal opinion that concludes the HEROES Act of 2003 authorizes the secretary to address the financial hardship arising from the COVID-19 pandemic by reducing or canceling the principal balances of student loans for a broad class of borrowers. Now, before we get lost in the legalese, remember that this is the HEROES Act that is described thus: "The Higher Education Relief Opportunities for Students Act of 2003 (P.L. 108-76), also known as the HEROES Act of 2003, provides financial and administrative relief for active-duty members of the military, including members of the National Guard who were called to active service by the President or Secretary of Defense for a period of more than 30 consecutive days. The HEROES Act also provides relief for people who live or work in a disaster area or who suffer economic hardship because of a war, military operation or *national emergency*." (Emphasis added.)

This has nothing to do with something as patriotic as military service; it's an exercise in buying votes. Conveniently, the pandemic is the national emergency (thank GOD the public health emergency declaration magically keeps getting renewed) that this relief will be hooked to. And the secretary will conclude (without actually asking anyone) that every borrower is affected by the emergency, thus meriting debt relief. Except, of course, those making more than $125,000 or $250,000 as a family – they are magically unaffected by the same virus. Oh, and those who have Pell Grants are exactly doubly affected by the emergency, of course. You just can't make this "stuff" up. (Oh, wait! They *are* just making this "stuff" up.)

I'm no expert, but my cousin Vinny could knock this out in court.

Eakinomics lives at a perpetual DEFCON 2. But one of the *really* aggravating aspects of this whole affair is that the student loan program remains untouched. One would have thought that if the student loan program was such a national disgrace, the first order of business would be to reform the program. In particular, the table below shows that in the recent low-rate environment, the interest rate on student loans has been much higher than market rates. In 2019, for example, the interest rates on 10-year and 30-year Treasuries averaged 2.14 and 2.58 percent, respectively. The rates on student loans were much higher, ranging from 5.05 percent to 6.60 percent.

	Treasuries		Undergraduate		Graduate
Year	10-year	30-year	Subsidized	Unsubsidized	Unsubsidized
2012	1.80	2.92	3.40	6.80	6.80

2013	2.35	3.45	3.40	6.80	6.80
2014	2.54	3.34	3.86	3.86	5.43
2015	2.14	2.84	4.66	4.66	6.21
2016	1.84	2.59	4.29	4.29	5.84
2017	2.33	2.89	3.76	3.76	5.31
2018	2.91	3.11	4.45	4.45	6.00
2019	2.14	2.58	5.05	5.05	6.60
2020	0.89	1.56	4.53	4.53	6.08
2021	1.45	2.06	2.75	2.75	4.30