



The Daily Dish

# Galactically Stupid

DOUGLAS HOLTZ-EAKIN | APRIL 7, 2022

Yesterday President Biden extended the deferral of making any payments on direct student loans, [announcing](#):

*[A]s I recognized in recently extending the COVID-19 national emergency, we are still recovering from the pandemic and the unprecedented economic disruption it caused. If loan payments were to resume on schedule in May, analysis of recent data from the Federal Reserve suggests that millions of student loan borrowers would face significant economic hardship, and delinquencies and defaults could threaten Americans' financial stability.*

*Accordingly, to enable Americans to continue to get back on their feet after two of the hardest years this nation has ever faced, my Administration is extending the pause on federal student loan repayments through August 31<sup>st</sup>, 2022.*

As a nice bonus, the president kicked in the fact that at the end of the deferral, all borrowers will be considered in good standing. So, if one never paid, don't worry about it.

The whole enterprise is [galactically stupid](#).

Let's be clear about what this really is:

- It's a misuse of pandemic emergency authorities. This has nothing to do with COVID-19.
- It's a misreading of the economy. The job market is incredibly tight, with 1.7 jobs available for every person seeking work. Workers are quitting at historic rates to take jobs with better opportunities and higher pay. If people who have gone to college cannot get a job and make loan payments now, what does it take to end the deferral?
- It's expensive. A month of student loan deferral costs the taxpayer \$4-\$5 billion. According to the [Department of Education](#), the actions in 2020-2021 added roughly \$100 billion to the deficit. Deferring for another four months adds as much as another \$20 billion to the tab. And let's be honest: On a hot, humid August Wednesday (namely August 31), at roughly 4:00 p.m., the president will extend the deferral past the election to December 31. Yesterday's action was the first step in adding another \$40 billion to the costs borne by the taxpayer.
- It's money spent with no return. The United States currently spends about \$30 billion a year on Pell Grants, and in return raises the education and skills of the nation. The Biden Administration is proposing to waste another year of Pell funding – on top of three years already – and get nothing in return: Nobody will learn what a parsec is, calculate a cosine, read the *Iliad*, or – God forbid – learn what's in the Constitution. Super.
- It's throwing money at the affluent. Why? Why? Why? It has been more than adequately [documented](#) that benefits of student loan deferral and forgiveness disproportionately accrue to the more affluent. One can claim that they have “significant economic hardship,” and that payment threatens “financial stability,” but the facts don't support it.

More deferral might also just be a mistake. It could be electoral pandering. It may satisfy some intraparty politics. But none of those things makes it defensible or a good idea.