



The Daily Dish

# Please Propose a Real Solution to a Real Problem

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## Eakinomics: Please Propose a Real Solution to a Real Problem

Yesterday Senator Elizabeth Warren [unveiled](#) her combination debt forgiveness-free college proposal, and I hate it. It's not that I hate college students. It's not that I oppose the accumulation of knowledge. It's not that having a better trained future work force is a bad idea. It's not that I've never recovered from my own social-misfit/deeply-scarring undergraduate experience. It's just that there is a lack of seriousness in the policy designs.

Here's the plan. Senator Warren would eliminate up to \$50,000 in student loan debt for each person with less than \$100,000 in household income. The \$50,000 in relief would gradually diminish for people with household incomes between \$100,000 and \$250,000 (\$1 less relief for every \$3 earned). People with household incomes over \$250,000 would not receive debt cancellation. The total debt forgiven would amount to roughly \$640 billion and, according to [this](#) puff piece cum policy analysis, over 75 percent of households with student debt would get complete forgiveness. Senator Warren couples the student debt forgiveness with a proposal to eliminate tuition and fees at all two-year and four-year public colleges.

Let's be honest. This is pandering buy-the-young-vote at its most blatant. But it's the presidential season and I can understand that. What's worse is:

1. Free college is a new entitlement in a federal budget that is already on an unsustainable trajectory. The top priority should be fixing the existing social safety net, not creating new fiscal problems. Of course, Senator Warren asserts that the proposal is fully paid for, but that is questionable.
2. The pay-for is her [wealth tax](#) that could be unconstitutional, is likely exceedingly difficult to administer, and will have strong anti-growth incentives. But put those quibbles aside. If one is willing to raise trillions in damaging new taxes, why not use them to address the \$12 trillion in deficits already in the outlook for the next 10 years?
3. Loan forgiveness has terrible incentives. If the government will happily forgive student loans, why not bypass the free college program, borrow heavily to live large at a private university, and then wait for the forgiveness? Why restrict it to students' loans? Why not small business loans for those deserving entrepreneurs? Mortgages for those deserving homeowners? Last time I checked, the federal government was the biggest financial services firm on the globe. If loans are to be treated as grants, there won't be enough pay-for revenues to make it add up.

4. It doesn't solve the cost-of-college problem. If something is too expensive, subsidizing it will simply increase the demand and further drive up costs. Forgiveness and free college does not change the fact that higher education is still using the same business model as it did in the 1940s. It does not address a K-12 system that leaves 25 to 33 percent of students behind and even more unprepared for college work. It does not deal with the fundamentally poor value proposition that is U.S. education.

5. Most important, it "solves" a problem that is misunderstood. As Eakinomics discussed [earlier](#), a close look at the loan data does not suggest a crisis. Student loans are undoubtedly a real burden for some. But it seems hard to make the case that they are the macroeconomic apocalypse that many suggest. At best, the data would suggest a very targeted program of assistance (not forgiveness) for a few borrowers.

Other than that, it is fine.