

Press Release



Douglas Holtz-Eakin: Is Forgiving Student Debt Good Education Policy?

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In this morning's Daily Dish, AAF President Douglas Holtz-Eakin considers Senator Bernie Sanders' proposal to cancel the \$1.6 trillion in existing student debt. Holtz-Eakin argues that the incentives to borrow are badly skewed if one expects a future debt to be forgiven. Further, canceling student debt will not make the United States more skilled or competitive.

An excerpt:

The debt-cancellation policy is combined with a free college initiative that brings the total price tag to \$2.2 trillion. Sanders proposes to pay for his plan with a tax on "Wall Street speculators who nearly destroyed the economy a decade ago." In fact, his "speculators" tax is just a financial transactions tax. Since there is no way to identify speculative versus non-speculative trades, this tax just promises to damage trading incentives across the board. Wall Street is, of course, easy to pick on. **But the more general question that demands to be answered is: Why should any taxpayers pick up the tab for this giveaway?**

After all, forgiving past debts is a highly ineffective education policy. It does nothing about the future. **Making college free for students does not reduce the cost of college.** Where is a proposal that will produce genuine competitive pressures on tuition and fees? That would be a higher-education policy worth pursuing.

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