## Is Forgiving Student Loan Debt a Good Idea? **By Kayla Webley**

Every few weeks now a petition pops up in my Facebook newsfeed urging the government to forgive all student debt. The comment from the person posting the petition usually goes something like this, "Guessing this will never happen, but can't hurt to sign on!"

The petition now has nearly 670,000 signatures. Scrolling through the stories posted on the petition (and similar stories told on the related Occupy Student Debt site) can be a heart-wrenching experience. Former students tell stories of unemployment, worthless majors, low-paying jobs and resulting six-figure debt, insurmountable interest, forbearance and default. From a human standpoint, it's easy to see why forgiving student debt holds some appeal. But many have questioned not only the enormous and economically unfeasible cost, but the purported benefits and fairness of a one-time student loan bailout.

Feeling shackled by an estimated \$88,000 in student loan debt, Robert Applebaum started the petition in 2009 and has seen its popularity skyrocket since last fall as some members of the Occupy Wall Street movement adopted the battle cry. His proposal is simple: Provide a one-time bailout of student loan debt—currently valued at \$1 trillion—as a way to stimulate the still-limping economy. After all, college graduates are the type of people society needs to do things like start businesses, buy homes and cars, invent things and make babies — and people burdened with debt are less likely to make those kinds of decisions. Unburden them and the housing market might improve, along with the overall economy. "With the stroke of the President's pen, millions of Americans would suddenly have hundreds, or in some cases, thousands of extra dollars in their pockets each and every month with which to spend on ailing sectors of the economy," Applebaum writes in the petition.

That sounds like a very expensive proposition, of course. But so were the bank and auto bailouts—and, the thinking goes, if "fat cat" bankers and auto makers got a bailout, why not college graduates?

Well, as Justin Wolfers writes on the Freakonomics blog, one reason why not is that such a scheme wouldn't be a particularly efficient fiscal stimulus. Someone who has \$50,000 in debt forgiven isn't likely to pump all those dollars back into the economy in a short amount of time. A much more effective stimulus, Wolfers says, would be to give 50 poor people \$1,000 each because that money would almost immediately be spent.

Another problem with such a plan is that most borrowers actually can afford to pay off their student loan debt. There are some borrowers who desperately need relief, but there are many others who would just rather not have to fork over a certain percentage of their income each month to pay for the education they received years ago. But if forgiveness was offered, who wouldn't take the handout?

As it turns out, the six-figure debts that we keep hearing about in the media are actually pretty unusual. By most estimates, only a tiny minority of student loan borrowers—as little as 1%—graduate with more than \$100,000 in debt. Mark Kantrowitz of FinAid.org and FastWeb.com says that only a few thousand students out of the several million who finish college each year graduate with that much debt. The average debt total at graduation is a much more reasonable—yet still significant—\$27,500.

What's more, even borrowers who can't afford the standard repayment plan have existing alternatives if the loan is from the government. There are already programs in place that offer forgiveness, not to mention the government's effective and underutilized Income Based Repayment program. What might be a more politically viable approach to student debt—although it would provide less fiscal stimulus—would be for the government and loan providers to have a better way of distinguishing between those borrowers who really need help and those who don't. But of course that's no easy task.

Many of the concerns surrounding Applebaum's plan involve the idea of fairness. Why should current debt holders be forgiven when for years people have paid their debts? Why should taxpayers—especially those who never attended college in the first place—foot the bill for the borrowers' education? What about future generations? Will they just take out loads of money in college and cross their fingers for a bailout? There are no easy answers to these questions other than to say, life isn't fair.

But perhaps the biggest roadblock to Applebaum's plan is that a one-time bailout is a temporary fix to an on-going problem. What's really needed is a long look at how higher education in the U.S. is financed.

Many would argue the current model is fundamentally broken. Virtually everyone who applies is approved for almost unlimited student loans, regardless of how likely they are to be able to pay them back. But lenders aren't really concerned about that because student loans cannot be discharged in bankruptcy. They know they'll get their money back one way or another.

As a result, lenders have no incentive to work with students toward a reasonable repayment plan. And further, colleges have no incentive to keep tuition low—tuition is increasing at a rate double that of inflation—because whether they can afford it or not, students will find a way to pay the bill.

Applebaum's proposal offers a radical and wildly unfeasible solution, both politically and economically, but it's an idea nonetheless. "I'm not saying my solution to the student debt crisis is the very best," he says. "If you disagree with me, what's your solution?"

WRITTEN RESPONSE: Do you agree or disagree with Applebaum's proposal for the U.S. Government to "bail out" student loans? In your response, make sure to argue your stance with details and examples and statistics (facts). ONE-PAGE MINIMUM.

## Actually, College Is Very Much Worth It By Andrew J. Rotherham

Lately it's become fashionable — especially among the highly credentialed — to question whether it's really "worth it" to go to college. A recent report from the Harvard Graduate School of Education proposed deemphasizing college as the primary goal of our education system in favor of "multiple pathways" for students. Earlier this month, *New York* Magazine devoted almost 4,000 words to profiling venture capitalists (and college graduates) James Altucher and Peter Thiel and their efforts convince Americans that they'd be better off skipping college. Thiel is even creating a \$100,000 fellowship for young people who agree to delay going to college in favor of an internship.

Make no mistake, there is widespread dissatisfaction with higher education. According to a new survey released by the Pew Research Center, only 40 percent of Americans felt that colleges provided an "excellent" or "good" value for the money. At the same time, 86 percent of college graduates still felt the investment was a good one for them.

To understand these competing views, you have to juggle a few different ideas at once. First, there are plenty of problems with higher education — poor quality, even at brand-name schools, and out-of-control costs are two of the biggest. College presidents themselves shared some of these concerns and others with the Pew researchers. Second, it's true: College isn't for everyone. There are plenty of rewarding and important jobs and careers that do not require college. And due to the sluggish economy, there may in fact be more graduates than the current job market needs, or a temporary "college bubble." Jobs for recent grads are harder to find, and salaries are lower, but that won't last forever. And in spite of all of this, the data make clear that getting a college education is still a good idea — college graduates earn more, and are more likely to have a job in the first place — and is especially important for some Americans.

Anti-college sentiment is nothing new. Mark Twain admonished us not to let schooling interfere with education, and we've always celebrated the maverick who blazes their own path. These days, it's Facebook founder Mark Zuckerberg, Microsoft's Bill Gates, or Apple's Steve Jobs — all college dropouts — who are held up as evidence of why all that time sitting in class is better spent elsewhere. Perhaps, but it's also worth remembering that their companies are bursting with college graduates. And what about all the people who didn't finish college and are not at the helm of a wildly successful venture?

Nobody spends a lot of time highlighting their stories, but let's not lose sight of what happens to them. According to the Bureau of Labor Statistics, in 2010, the median weekly earnings for someone with some college but no degree were \$712, compared to \$1038 for a college graduate. That's almost \$17,000 over the course of a year and there is an even bigger divide for those with less education. College graduates are also more likely to be in jobs with better benefits, further widening the divide. Meanwhile, in 2010, the unemployment rate was 9.2 percent for those with only some college and more than 10 percent for those

with just a high school degree, but it was 5.4 percent for college graduates. The economic gaps between college completers and those with less education are getting larger, too.

It's also odd to talk down college — which is the most effective social mobility strategy we have — at the very time Americans are becoming concerned about income inequality. Ron Haskins of the Brookings Institution found that without a college degree, only 14 percent of Americans from the bottom fifth of parental income reach the top two-fifths. But if they complete college, 41 percent of this same group can then expect to make it to the top two-fifths. Haskins' data also shows the extent to which debates like this are a luxury of the privileged, because their children enjoy much more of a safety net and the risks are different for them. In other words, children from low-income families gain more by going to college than children of the wealthy lose by not going.

So here's the key takeaway: Education gives you choices. Assuming you don't pile up mountains of debt that constrain your career options (and that outcome is avoidable) or go to a school where just fogging a mirror is good enough to get a diploma, there are not a lot of downsides to going to college. The stories of entrepreneurs who bootstrapped themselves are exciting but most of us are not a Gates or Zuckerberg. So before heeding the advice of the college naysayers, make sure you understand the stakes and the odds. Or, here's a good rule of thumb instead: When people who worked hard to achieve something that has benefitted them start telling you that it's really not all that important or useful — beware.

WRITTEN RESPONSE: Do you think a college degree is worth the time and money? In your response, make sure to argue your stance with details and examples and statistics (facts). ONE-PAGE MINIMUM.