

Democrats, Republicans conspire to hike student loan rates

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As millions of US students prepare to return to college this fall, the already intolerable burden of student debt is being increased.

On July 1, with the expiration of the federal student loan law, the interest rate on subsidized loans, which are given out selectively to low- and medium-income students, automatically doubled, rising from 3.4 percent to 6.8 percent. The rate increase affects nearly 7.5 million students, according to the White House.

In the name of rolling back this draconian rate increase and passing a new law on federal student loans, the Obama administration and Congress are conspiring to pass a bipartisan measure that will further cut subsidies and tie loan rates to the vagaries of the financial markets, allowing them to rise even higher than 6.8 percent.

One of the provisions under discussion will eliminate the difference in interest rates on subsidized and unsubsidized student loans, effectively ending a policy intended to provide low-income young people with access to education. Under a tentative deal worked out by Senate negotiators Wednesday, the interest on all federal student loans will be tied to the rate on ten-year government bonds.

Student loan rates will be capped at 8.25 percent for undergraduates and 9.25 percent for graduates. These exorbitant rates, approaching those charged by credit card companies, have been tentatively approved by Democratic negotiators and are in line with the White House's latest budget proposal.

Over the past two months, interest rates have been sharply rising. This means borrowing costs are likely to be far higher for students who take on new loans. If the interest rates on US government debt were to return to the levels seen in the 1990s, borrowing costs for undergraduates would jump to over 8 percent.

The very proposal to make students' ability to finance their education dependent on the vagaries of the market and the Wall Street sharks who control it is entirely reactionary.

The attack on students, particularly those who come from low-income families, is part of a broader bipartisan assault on key social programs. On Thursday, the House of Representatives passed a version of the farm bill that excludes \$743 billion in food stamps in preparation for sharply cutting the nutrition program upon which 48 million people—one in six Americans—depend.

Earlier this month, the Obama administration announced it was delaying for one year the implementation of a legal requirement for businesses to provide health insurance to employees working full-time as part of its health care overhaul. This follows multiple reports of tens of millions of people remaining uninsured under the cost-cutting scheme, and tens of millions more being saddled with higher premiums and fewer benefits.

In the stage-managed negotiations between the two big business parties on both student loans and food stamps, the future and well-being of millions of working people are cynically used as bargaining chips in discussions over how deeply and quickly to cut social programs. These "debates" follow a well-established pattern. The more extreme positions of the Republicans become the baseline for the Democrats to shift even further to the right and propose even deeper cuts than they initially proposed.

The political establishment treats the masses of people, for whom student loan rates, food stamps and health insurance are life-and-death questions, with contempt. At the same time, it kowtows to every whim of the financial aristocracy.

Even as the discussions over jacking up student loan rates were proceeding in the Senate, Federal Reserve Chairman Ben Bernanke delivered a speech whose entire purpose was to reassure Wall Street that near-zero interest rates and virtually free credit—which have made possible a dizzying rise in stock prices, corporate profits and CEO pay—would continue indefinitely. Stocks hit new all-time records on Thursday in response to Bernanke’s speech.

Meanwhile, JPMorgan Chase and Wells Fargo, two of the largest US banks, posted record profits. JPMorgan made \$6.1 billion in the second quarter, up 32 percent from a year ago, while Wells Fargo took in \$5.27 billion, up 20 percent.

The federal student loan program is already a financial racket, in which debt-laden students furnish the government with tens of billions in profits. The Congressional Budget Office reported earlier this year that the US government will receive a record \$51 billion in profit this fiscal year from student loan interest. This figure is equal to the combined profits of the four largest US banks and is significantly higher than the profits of either Apple, which recorded \$41.7 billion last year, or Exxon Mobil’s \$44.9 billion.

The total amount of student loan debt, standing at \$1.1 trillion, has eclipsed credit card debt and is the largest form of household debt outside of mortgages.

Tuition costs, meanwhile, continue to skyrocket. According to a report issued by the Department of Education Thursday, average in-state tuition costs rose by 6.7 percent between the 2010-11 and 2012-13 academic years. Detroit’s Wayne State University announced last month that it would increase its tuition by 8.9 percent in the fall semester.

The Socialist Equality Party and its youth organization, the International Youth and Students for Social Equality (IYSSE), say that education, including higher education, is not a privilege. It is a basic social right. This right, however, must be secured through the mobilization of youth and the working class as a whole in opposition to the existing economic and political system.

We call for the abolition of all student loan debt.

We oppose subordinating the ability of students to finance their education to the capitalist market and the interest rates manipulated and rigged by the most powerful banks and hedge funds. Instead, we propose

to close down the Wall Street and global gambling casino and expropriate the ill-gotten wealth of the parasites who run it.

There are ample resources to fund quality education for all, but they are monopolized by a modern day aristocracy of wealth and privilege that controls both political parties. By nationalizing the banks and major corporations and putting them under public ownership and democratic control, the working class will be able to develop a rationally planned, socialist economy based on social need, not private profit.

We call on students and youth to join the IYSSE and establish IYSSE clubs on the campuses and in the high schools as part of the fight to build the Socialist Equality Party as the new leadership of the working class.



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