

As right wing howls about “socialism”

Biden announces limited student debt relief

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On Wednesday, President Joe Biden announced that his administration is moving forward with plans to cancel \$10,000 of student debt for those who earn less than \$125,000 per year. A total of \$20,000 will be forgiven for recipients of Pell grants, who are students from low-income backgrounds.

While student debt relief is urgently needed, the Biden administration is carrying out the debt decision on the most cynical grounds. The \$10,000 amount of relief is entirely inadequate at addressing the pressing needs of millions of Americans saddled with debt and struggling to make ends meet.

About 15 million students and former students will see their debt entirely erased. For students owing the average total debt of \$30,000, about one-third will be erased. For those with much higher debts, however, particularly those with debt from graduate and professional education, the proportion will be much lower.

The measure is a carefully planned maneuver, timed to coincide with the upcoming midterm elections, hoping to encourage votes for Democratic candidates. This political calculation is also demonstrated by the extension of the payment moratorium, set to expire in September, until January 1, 2023.

The moratorium was first provided by the Trump administration in March 2020 in the initial response to the COVID pandemic, applying to 41 million student loan borrowers. It has been subsequently extended, most recently by Biden in May, until August 31, 2022, with the first payments due by October 1, 2022, only a month before the midterm election.

In his remarks at the White House announcing the plan, Biden said, “the cost [of a college degree] is so heavy that even if you graduate you may not have access to the middle-class life that the college degree

once provided.”

The White House stated that the cancellation will go into effect sometime before loan payments resume at the end of the year and that in the next few weeks an application process will be created to prove income qualifications.

In total, the cancellation would cover about \$300 billion of the over \$1.6 trillion in total student loan debt. The cancellation applies only to loan debt held by the federal government through the Department of Education and not any privately held debt.

A total of 45 million people in the United States now have student loan debt to the government. An additional 3 million have debt through private financiers that is unaffected by the president’s decision.

Biden also said that under the decision, monthly payments for loans will be reduced to a maximum of 5 percent of an individual’s income and that debt not paid off after 20 years of consecutive payments will be forgiven.

While millions of debt holders will welcome the relief the cancellation will provide, the fact is that the vast majority of student debt remains and the cancellation plan removes only a fraction. Well over \$1.3 trillion dollars in students’ debt will still remain after the forgiveness takes full effect.

In his remarks the president made several references to his “Republican friends” who oppose the cancellation of debt. Biden stressed that the cancellation will not significantly add to the inflation crisis, at least not more than the forgiveness of business loans that Republicans supported.

What was not mentioned at all by Biden, and is missing from the reports in the major media, is that the government has raised the interest on current student

loans in keeping with the rate rises set by the Federal Reserve, most recently (in July) from 3.7 percent to 5 percent. This means that current and future students will accumulate debt even faster than the previous generation of borrowers.

And rates can only be expected to increase further as Kansas City Federal Reserve President Esther George said in an interview the same day as the president's announcement, "We have to get interest rates higher to slow down demand and bring inflation back to our target."

For example, taking the average amount of loan debt of \$30,000 over 10 years at a 5 percent rate, a borrower will pay \$8,183 in interest on top of their loan principal. If rates are increased to 6.5 percent, future students will pay over \$10,000 in interest on their loans.

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Much of the Democratic Party congressional leadership was pushing for a much larger cancellation, closer to \$50,000 per student, in a desperate effort to strike a populist stance before the midterm election, but Biden decided on a policy that represents essentially the least he could do, while still hoping to generate some electoral payback.

At the same time, the move is under ferocious right-wing attack, from business interests, the right-wing media, the entire Republican Party, and the most right-wing sections of the Democratic Party, including Senator Michael Bennet of Colorado and Ohio Senate candidate Tim Ryan.

Senate Minority Leader Mitch McConnell absurdly denounced the action as "socialism," while the *Wall Street Journal* postured as the defender of Fedex drivers and construction workers who, they claimed, would be paying for student loan forgiveness for privileged youth.

Biden's decision makes clear, for one thing, that there is no reason student debt could not be eliminated entirely. While the \$1.6 trillion debt is indeed a large sum, it is less than the \$2.2 trillion dollar CARES Act stimulus handed to corporations and banks in March of 2020. It is spread out over many years, and so dwarfed by the \$1 trillion spent *each year* on the military.

Secondly, the Biden plan does nothing to address the rising cost of higher education, fueled by the

transformation of colleges into businesses run by bankers and business interests rather than institutions of learning.

Finally, Biden's desperate attempt to win votes for the midterm election exposes the inability of the Democratic Party to actually address the needs of working people. What is needed is both the abolition of the current student loan debt and the establishment of universal access to free higher education, so no student need incur debt for an education that is essential for a modern society.

There is plenty of money in society to cover the cost of higher education. It is merely held hostage by the billionaires, the corporations and financial institutions they control, and squandered by the hundreds of billions each year on imperialist war. The working class has every right to demand it be used to establish a free higher education as a basic right of everyone who seeks it.



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