

# Appeals court blocks Biden's student loan relief plan

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Late Friday, October 21, the US Eighth Circuit Court of Appeals blocked the Department of Education from beginning to discharge student loan debt of borrowers who qualified for partial debt relief under the program President Joe Biden enacted by executive order in August.

Biden, citing the impact of the COVID-19 pandemic, enacted the program by invoking a 2003 federal law that allows the education secretary to modify financial assistance programs for students “in connection with a war or other military operation or national emergency.”

The program, which was officially launched October 17 with the opening of a website for borrowers to apply, cancels \$10,000 in debt for those earning less than \$125,000 a year or \$250,000 for a household, and \$20,000 for those who received Pell grants for low-income families. If implemented in full, the plan would cancel an estimated \$430 billion in student loan debt, barely a quarter of the massive \$1.7 trillion in US student loan debt held by 43 million borrowers.

The average amount of student loan debt is currently just under \$29,000. Average monthly student loan payments are \$234 for those with undergraduate degrees and \$570 a month for those with master's degrees.

Despite the inadequate level of relief offered by the plan—the estimated cost of the program is \$400 billion over 30 years, or \$13.3 billion a year, compared to the nearly \$1 trillion annual military budget—so crushing is the burden of student loan debt that some 22 million borrowers applied for relief under the plan in the first five days of the website.

With the Biden administration set to begin writing off debt as early as Sunday, October 23, the appeals court issued a stay on any debt relief pending its issuance of a ruling on an emergency petition filed by six Republican-led states for an injunction against the program.

The appeals court, based in St. Louis, consists of 10 Republican-appointed judges, including four appointed by Donald Trump, and only one Democratic (Obama) appointee. It ordered the government to file its brief opposing an injunction by Monday, October 24, and the

plaintiffs to file their response by Tuesday, October 25. It indicated that it could issue its ruling either vacating the stay or enjoining the debt forgiveness program as early as this week.

Either way, the appeals court's action, which followed by one day the dismissal of the Republican state governments' suit by the US district trial judge, could set the stage for an indefinite delay in the implementation of the debt relief program, if not its complete scuttling, as the program gets entangled in endless litigation.

For one thing, the Republican plaintiffs, backed by private lenders and other corporate interests, could respond to a negative ruling from the appeals court by seeking emergency intervention by the Supreme Court, dominated by right-wing Republican justices. This is despite the highly dubious legal basis of their suit, which was dismissed by the trial judge on the grounds that the state governments lacked legal standing to go to court on the issue.

The suit filed by the governments of Nebraska, Missouri, Arkansas, Iowa, Kansas and South Carolina is only one of many legal challenges to the Biden debt forgiveness program. On Thursday, Supreme Court Justice Amy Coney Barrett dismissed without comment a suit opposing the program brought by a Wisconsin county taxpayers' group. But lawsuits have also been filed by Arizona Attorney General Mark Brnovich and right-wing groups such as the Job Creators Network Foundation and the Cato Institute.

The state governments' suit argues that Biden lacks the constitutional authority to enact the debt forgiveness program and unapologetically shifts for banks and loan companies, arguing that the plan must be scotched because it would deprive private lenders of revenues from the servicing of loans they currently hold.

On Friday, in advance of the Eighth Circuit's action, Biden spoke at Delaware State University in Dover, Delaware, where more than 75 percent of the students receive Pell grants. He denounced Republican opposition to the debt relief program, noting that one of its most vocal critics, the fascistic congresswoman from Georgia, Marjorie

Taylor Greene, had received a \$180,000 loan, subsequently forgiven, from the so-called “Paycheck Protection Program.” This did not prevent Biden from continuing to refer to the Republicans as his “Republican colleagues.”

Following the appeals court’s announcement, White House Press Secretary Karine Jean-Pierre issued a statement stressing the temporary character of the court’s action and the fact that it did not block the Department of Education from continuing to accept and process applications for debt relief.

However, the Biden administration has already made clear that it does not have the stomach to seriously fight a concerted drive by financial interests and the entire Republican Party to block even modest debt relief. On September 29, the same day that the six Republican-led states first filed their legal challenge, the administration abruptly narrowed the eligibility criteria for student debt relief in an attempt to moot the Republican suit.

As noted above, that suit cited alleged damage to private lenders who hold a portion of government backed student loans, namely loans granted under older and now defunct federal student loan programs in which the loans were guaranteed by the government but still held by private companies. Biden’s plan allowed these borrowers—some 4 million of the 43 million student debtors, accounting for \$108 billion of the \$1.7 trillion student loan debt—to consolidate their loans into government-held loan programs and thereby qualify for debt relief. Borrowers were told they had until December 31, 2022 to apply.

But on September 29, the Department of Education’s website suddenly announced that after that date, borrowers could no longer consolidate their privately-held loans into government-held loan programs and were therefore no longer eligible for debt forgiveness. The change excluded some 800,000 borrowers from the program.

Moreover, the overt opposition to the debt relief program is by no means limited to Republicans. On September 29, the *Washington Post*, owned by multi-billionaire Jeff Bezos, published an editorial denouncing the administration’s plan as irresponsibly expensive as well as unconstitutional. The newspaper, generally aligned with the Democratic Party, fully supports pouring tens of billions of dollars into the US/NATO proxy war against Russia in Ukraine, in support of a government in Kiev allied with fascists, but declares a few billions of dollars a year to somewhat lessen the debt burden on millions of students and working people an extravagance.

On Saturday, following the appeals court’s action blocking the debt relief program, the *Post* published another editorial spelling out in greater detail its opposition not only to the student debt plan, but to any increase in social

spending. Headlined “Congress and Biden have to help the Fed fight inflation,” the editorial denounced Biden’s \$1.9 trillion American Rescue Plan, passed in February 2021, as “too big,” demanded “fiscal discipline,” with “no new major spending that isn’t fully or mostly paid for with higher taxes or reduced spending elsewhere in the budget,” and called for more deregulation.

The same day, the *New York Times* published an op-ed piece by its right-wing, anti-abortion columnist Ross Douthat (“The Three Blunders of Joe Biden”) similarly denouncing the American Rescue Plan as excessive. Both the *Post* editorial and the *Times* column cited Lawrence Summers, treasury secretary under Bill Clinton and head of Barack Obama’s National Economic Council, who has denounced Biden’s fiscal policies as irresponsible.

The *Times* also published a glowing puff piece on Tim Ryan bearing the headline, “Tim Ryan Is Winning the War for the Soul of the Democratic Party.” Ryan, a House member from the Mahoning River Valley in Ohio, a devastated former center of steel and auto production, is running an extremely right-wing campaign for the US Senate against Trump acolyte J. D. Vance. He is attacking Vance as soft on China and Russia, while boasting of his own support for Trump’s protectionist policies and military budgets. At the same time, he opposes the student loan debt relief program, echoes Republican attacks on Biden for failing to “secure the border,” and proclaims his opposition to a bid by Biden for a second term.

The consensus within the American corporate/financial oligarchy is opposition to any measures that smack of social reform. It wants an intensification of austerity and a rise in unemployment to impose the full burden of the economic, social and political crisis of American capitalism on the working class.



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