

Jacobin promotes student debt bankruptcy

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In an attempt to provide political cover for the Biden administration's student loan relief debacle, the Democratic Socialists of America's semi-official magazine *Jacobin* is presenting bankruptcy as a solution to student debt.

On November 18, it published an article by Julia Rock titled, "Joe Biden Is Finally Moving Toward Allowing Bankruptcy to Eliminate Student Debt."

With Biden's very modest plan to allow student borrowers to write off \$10,000-\$20,000 in government-held loans blocked by Republican-backed court suits, the administration is attempting to sugar-coat its refusal to make a serious effort to provide relief for millions of students burdened by crushing debt by ending its opposition to the discharge of a portion of student debt through the bankruptcy process.

Students are evidently expected to be grateful for the chance, compliments of the Democratic Party, to go into bankruptcy to avoid penury and homelessness.

The vast majority of students will not see it that way. Instead, they will rightly see this inducement to declare bankruptcy as an insult and a provocation. They are well aware that when it comes to bailing out billionaire tax-evaders and speculators, both big business parties spare no expense. Example: the bipartisan CARES Act, passed with record speed when the pandemic torpedoed the stock market in the spring of 2020. That act of charity for the rich funneled trillions of dollars to the banks, corporations and investment houses.

This week has seen another example of bipartisan action in Congress effected with blinding speed—despite the near-civil war atmosphere in Washington—to block rail workers from exercising their right to strike and impose a slave's charter contract backed by the rail companies, overriding the votes of tens of thousands of rail workers who voted against it.

There, the heroes of the DSA and the so-called "progressive" wing of the Democratic Party—including

Bernie Sanders and Alexandria Ocasio-Cortez—played the critical role in ensuring passage of the dictatorial anti-strike measure.

Similarly, these pseudo-left representatives of the privileged middle class are rushing to declare the administration's modest easing of Department of Justice (DoJ) rules in relation to student bankruptcy to be a "victory."

The article by Julia Rock favorably cites Elizabeth Warren, who claims, "The Biden administration has taken an important step forward to reform a deeply broken bankruptcy system that has made it nearly impossible for Americans to deal with student debt, even when they're in severe financial stress."

The administration, in addition to extending the student loan pause initiated under Trump until June 2023, directed the DoJ to soften its policy of opposing student debt discharge in bankruptcy court. The department issued a release stating: "Although the bankruptcy judge makes the final decision whether to grant a discharge, the new process announced today provides Justice Department attorneys with clear standards for recommending discharge to the judge without unnecessarily burdensome and time-consuming investigations."

As a senator, Biden voted for the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which tightened the bankruptcy code so that student loans were stripped of bankruptcy protections. The law prevented students from having their loans discharged absent proof of "undue hardship," which has proven an insurmountable legal burden for the vast majority of students.

Since taking office, the Biden administration has used the Department of Justice to oppose students seeking bankruptcy to discharge their loans, with the DoJ appealing rulings in their favor.

This isn't the first time *Jacobin* has presented

bankruptcy as a solution to student debt. In the April 8, 2021 *Jacobin* article, “The End of Joe Biden’s Student Debt Prison May Be in Sight,” author Walker Bragman wrote that the Supreme Court was considering hearing a case that “could defang a draconian bankruptcy law championed by Joe Biden and his financial industry donors sixteen years ago.” Bragman claimed that this “could offer people a meaningful pathway out of massive student debt.”

A “meaningful pathway?” A more apt description of bankruptcy is a measure of last resort incurring its own nightmarish costs to debtors.

Bankruptcy proceedings can be “expensive” according to *Bankrate*, citing a \$240 filing fee, \$700 to \$2,000 in lawyer fees and additional court fees. It is a long legal process usually taking four to six months. It causes long-term damage to one’s credit score for a period of seven to 10 years (for Chapter 7 and Chapter 13 bankruptcy, respectively) which often leads to higher insurance rates.

Both types of bankruptcy usually involve losing all credit cards, as well as making it difficult or impossible to get an auto loan or house loan. It can even make getting an apartment lease more difficult, as most landlords require a credit history to rent an apartment.

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Nor does bankruptcy necessarily eliminate all of one’s debt. Chapter 13 bankruptcy requires a repayment plan over three to five years, while Chapter 7 requires the liquidation of all non-exempt assets to pay back creditors.

According to a survey by the Professional Background Screening Association, 38 percent of employers perform credit checks on some job candidates, while 14 percent do credit checks for all candidates, meaning those who opt for bankruptcy may find it more difficult to find jobs in the future, particularly in private industry. The job search website Monster writes in the article “Past Bankruptcy Can Haunt Your Job Hunt” that “If you’ve declared bankruptcy in the past, be prepared to defend that decision to a potential employer.”

The claim that bankruptcy is a “meaningful” alternative for students already drowning in debt recalls Marie Antoinette’s notorious “Let them eat cake.”

The DSA and the rest of the pseudo-left fraternity

have nothing to do with socialism. Notwithstanding their populist rhetoric, they are pro-capitalist, pro-imperialist, pro-war and anti-working class. They promote the politics of racial and gender identity in order to obscure the fundamental class divisions in society, foment divisions within the working class, and secure positions and income for themselves.

That is why the DSA is an arm of the Democratic Party—a party of Wall Street, the Pentagon and the CIA—and a defender and component part of the pro-corporate trade union bureaucracy. These anti-Marxist forces play a critical role in enforcing the political domination of the bourgeoisie over the working class.

Just as the majority of DSA-affiliated Democrats in the House voted to ban a strike and impose a contract on the rail workers, they have lined up to vote for every allocation of funds to prosecute the US/NATO proxy war against Russia in Ukraine, totaling more than \$100 billion so far this year. Biden’s woefully inadequate student loan forgiveness program would cost a fraction of this, coming in at \$13.3 billion a year. But even this is too much for the ruling class, which will not permit even the most modest measure of social reform.

What is required to address the student debt crisis is a genuine socialist policy, including the abolition of all student debt, the provision of free, quality higher education for all who want it, and the expropriation of the banks and loan service companies to provide the necessary funds and reorganize the economy according to social need, not private profit.

The social basis for implementing this policy is the working class, whose potential industrial and political power is immense. Students must turn to the working class and fight for a socialist program and leadership, to establish the political independence of the working class from both parties of big business, the trade union apparatus and their hangers on in the DSA and the pseudo-left as a whole.



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