



Written by [Steve Byas](#) on April 23, 2019

Warren's Plan to Cancel Student Loan Debt Has Multiple Flaws

"Student loan debt is crushing millions of families," 2020 Democratic presidential candidate Senator Elizabeth Warren (D-Mass.) tweeted on Monday. She added, "That's why I'm calling for something truly transformational: Universal free college and the cancellation of debt for more than 95 percent of Americans with student loan debt."

She continued in a separate tweet, "This is the kind of big, structural change we need to make sure our kids have opportunity in this country."



Warren's ambitious plan would cancel out the debt of 95 percent of borrowers. She argues that this is necessary to reduce what she calls the wealth gap in America, and provide an economic stimulus to the middle class, arguing that without a student loan to pay off they could have more money to make a home purchase or start a small business.

There are more than 44 million Americans carrying student loan debt, totaling \$1.5 trillion. This makes it the second-highest category of consumer debt, second only to home mortgages, and even surpassing credit-card debt and auto loans. It is widely predicted that by 2023, 40 percent of these borrowers may default on their student loans.

Warren offered some details for her plan, which include cancelling \$50,000 in student loan debt for every person with household income under \$100,000, and providing a significant debt cancellation for every person with household income between \$100,000 and \$250,000. Despite this turning a debt into income, Warren would not tax it.

But if a person has a household income above \$250,000 — the top five percent of earners — that person's loan would *not* be canceled. There would also be "phase-outs" based on income. For example, the \$50,000 cancellation amount would phase out by \$1 for every \$3 in income above \$100,000.

When Representative Alexandria Ocasio-Cortez (D-N.Y.) proposed "Medicare for All" and was asked how she proposed to pay for such an expensive program, she retorted, "You just pay for it."

Warren is somewhat more specific, vowing to pay for the loan forgiveness and the future "free" tuition plan with an "Ultra-Millionaire Tax." By this she intends to target those 75,000 families in the U.S. who have at least \$50 million in net worth with a two percent annual tax. In addition, Warren wants to spend another \$100 billion in Pell Grants for the next 10 years and expand its eligibility to include more lower- and middle-income students.

No one can seriously believe that the American taxpayer can actually pay for the Green New Deal, Medicare for All, and free college tuition, even to the point of paying off existing student loans. Of course, Warren and the other socialists in the Democratic Party always believe they can extract more



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money out of “the rich” to pay for their schemes. And then, there is the national debt the United States government already owes, now well over \$20 trillion. Beyond that, the government has obligations that include social security, and all the multiplicity of entitlements such as food stamps, free and reduced housing, and even free cellphones.

There are many other problems with Warren’s proposal (it is not honest to call it a “plan”). First of all, why should all those Americans, going back decades, who worked their way through college, and did not take any loans, have to pay off the loans of those who chose to take loans instead of work? And what about those others who paid off their loans years ago?

It is not universally known that student loans can be used to pay for more than tuition, books, and a little dorm room. These loans can also be used for living expenses. No doubt, some financially struggling students live very frugally, and keep their loans as low as possible, knowing that some day they will have to pay it all back — with interest. After all, that is what responsible people do.

Others, however, use the loans to go on vacations to places such as Cancun. Do others, even the very rich, have some obligation to pay for such things?

And what about the man or woman who took a job out of high school that did not require a college degree? Why should that person be required to lower his or her standard of living through increased taxes (anyone who believes only the UltraMillionaires™ will be paying for this program is rather naïve) for the benefit of a college graduate, who is perhaps now out-earning them by thousands of dollars?

One cannot cite *all* the problems of Warren’s pandering program in a short article, but college loans have already driven up the cost of a college education for beyond what it was in previous generations, even out-pacing the general price level of goods and services. Why is that? It works like this: The colleges bemoan the difficulty of their poor students to make ends meet, and plead for more loans and grants. When the politicians give the colleges what they want, the colleges simply jack up the tuition, and the bemoaning starts anew.

It is like the proverbial dog chasing its tail. Up goes tuition, and up go the loans and grants, causing the tuition to go up again, followed by another increase in the loans and grants. It never ends.

Once Warren’s “free” tuition goes into effect, we’d better buckle our seat belts, because college tuition prices are about to shoot off into space. At that point, it will become obvious that these UltraMillionaires™ will be joined in paying for this by Joe Six-Pack, who will wonder why he must pay for the education of those who call him a “deplorable.”

Finally, and most importantly, the Constitution gives Congress no authority whatsoever for such spending. As President Grover Cleveland said in a veto message in the 1880s, “I can find no warrant for such an appropriation in the Constitution; and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit.”

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