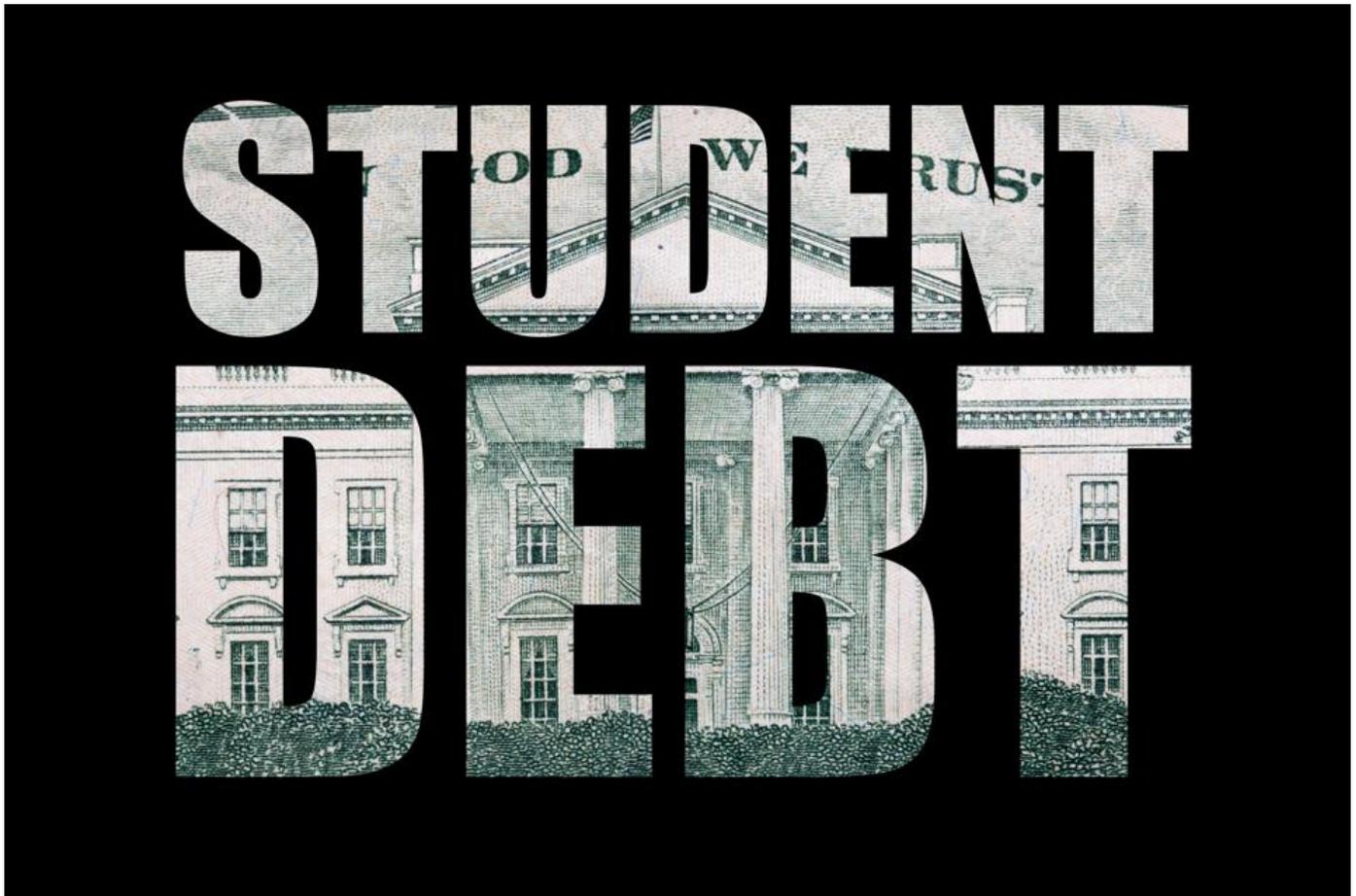


A Way To Ease Student Loan Debt Without Sticking Taxpayers With The Bill: How About A Trade?

[Marguerite Roza](#) 07:39pm EST



Current plans to waive student debt have raised concerns about cost, equity, and fairness

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While last week's \$1.9T federal relief plan did not forgive student loans, it did include a provision that would make future debt cancellation non-taxable. Senator Warren and others released a [celebratory statement](#) suggesting that the law "clears the way for President Biden to use his authority to cancel \$50,000 in student debt."

But student loan forgiveness is far from a done deal. That's because there

are legitimate concerns about [cost, equity and fairness](#) that come with any of the current plans to waive student loans. President Biden knows that, and that's likely why he hasn't done it.

But, there's a better way to relieve the pain of student debt that addresses these concerns while costing taxpayers nothing.

Instead of waiving away the debt and sending the bill to taxpayers, this would be a trade: in return for each \$10,000 in debt relief, recipients delay eligibility for federal retirement benefits by a year. In exchange for up to \$40,000 now to pay off student loans, recipients would postpone Social Security and Medicare benefits for up to 4 years. The trade would be completely optional and open to all Americans for generations to come. Best of all, it costs taxpayers nothing.

Why the trade? First and foremost, it solves the cost problem. Effectively, this approach would amount to unlocking federal dollars set aside for Americans in their sixties for use earlier in life. And that's not necessarily a short-sighted view, since those who attend college are healthier, [live longer](#) and ultimately earn more than people with a high school diploma or less. Currently Americans born after 1960 can draw [Social Security at 62 \(with full benefits at 67\)](#) and Medicare [at 65](#). Those accepting a delay would likely work a few more years, or where health problems make them unable to work, they could still access federal disability programs.

Because [Social Security](#) and [Medicare](#) cost the federal government \$30,000-plus a year per recipient, any American accepting a delay in eligibility saves the government much more than the \$10,000 paid up front for college loan debt. Ultimately, this could put [Social Security and Medicare](#) on a more financially sustainable path. And the more Americans take the offer, the better off these bedrock retirement programs would be.

That's in contrast to currently proposed loan forgiveness plans where the estimated price tag varies from [some \\$300 billion](#) for Biden's more limited

plan to relieve \$10,000 per eligible borrower to well over [\\$1 trillion](#) for plans aiming to cancel a larger share of student debt.

Critically, the trade avoids the fundamental inequity of asking people who never went to college to pay the debts of those who did. [Traditional loan forgiveness](#) can function as a deeply inequitable taxpayer giveaway to the [wealthy](#), since upper-income Americans hold a disproportionate share of the [\\$1.6 trillion](#) in outstanding student debt. To mitigate these inequities, some have proposed limiting participation to those earning under \$125,000 who attended public institutions. But limits like these seem arbitrary and open to gaming. Will those seeking loan forgiveness be reluctant to work to ensure eligibility? And why favor those who chose public institutions when tuition at some public institutions is higher than at some private ones?

The trade proposed here isn't a taxpayer giveaway and doesn't ask some Americans to foot the bill for others. That matters because with current loan forgiveness proposals, there are real [fairness and personal responsibility](#) issues at play, too. When the rules are changed midstream, those who sacrificed under the old rules see themselves as losing out. If we simply erase college debt and ask nothing in return, what message are we sending to those who [worked two jobs](#) or attended a lower-cost school to avoid debt? What do we tell those currently serving multi-year military commitments in return for their ROTC scholarships? And what about students who delayed college to work and save, and thus miss out on the "get-it-while-you-can" one-time offer of a massive federal giveaway?

Unlike existing loan forgiveness plans, this trade could be open to all Americans today and in the future. In doing so, it could address college affordability for the next generation of borrowers in perpetuity, not just the generation that holds debt today. And it could be available to adults of any age hoping to pursue a degree, possibly as retraining for new careers.

An old Freakonomics headline on an unmitigated student loan forgiveness plan called it: ["Worst Idea Ever."](#) Even the trade proposed here isn't

a perfect option. Debt relief of any kind isn't an effective stimulus and doesn't fix runaway college tuition. Another warning: a trade like this one may take more political maneuvering since it can't be done by presidential fiat. But if leaders are determined to tackle student loan debt, a trade should be vastly more appealing than any of the current options.