

Student Loan Debt: The Need for a Mass Movement

David Palumbo-Liu

WHILE JUST A FEW of our national political leaders—such as Rep. Karen Bass and Sen. Elizabeth Warren—have spoken out on the issue of student loan debt, and none of our leaders in higher education have said much of anything, grassroots activists have taken the lead. This should not be a surprise—it’s always been the case that change is driven by the people, not by their reputed leaders.

If we the people have been forced to bail out the banks, why can’t we exert our political will to demand that Congress and the president do the same for students who are required to repay their student loans in the midst of what seems to be a perennially sluggish job market? In a horrible irony, the very banks we bailed out reaped profits from student loans, and now it is the federal government that is profiting, even as unemployment benefits have been cut. As Rebecca Maurer notes in *Salon*:

There is some disagreement about the numbers, but the Government Accounting Office (GAO) recently estimated that the government will generate \$66 billion in profit on the \$454 billion in loans it originated between 2007 and 2012. The GAO estimates that for every \$100 in student loans the government issued to recent borrower cohorts, it may generate between \$13 and \$16 in profit after all administrative and write-off costs are accounted for.¹

It is important to note that these profits do not all go back into refunding the student loan program—they go back into the general operations of the federal government.

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¹ See http://www.salon.com/2014/05/14/student_loans_shady_profit_scheme_how_to_stop_the_government_from_exploiting_our_misery/.



And while the federal government is channeling profits from student loans into other spending areas, in effect placing a tax on students, a recent *New York Times* piece cited a study that found “Student Debt Grows Fastest at Universities with Highest-Paid Leaders.” The *Times* story quoted the study: “Like executives in the corporate and banking sectors, public university presidents weathered the immediate aftermath of the fall 2008 financial crisis with minimal or no reductions in total compensation,” and went on to say, “While the average executive compensation at public research universities increased 14 percent from 2009 to 2012, to an average of \$544,554, compensation for the presidents of the highest-paying universities increased by a third, to \$974,006, during that period.” Furthermore, “administrative expenditures at the highest-paying universities outpaced spending on scholarships by more than two to one.”² No wonder the crushing debt students face is not on the minds of either mainstream politicians or educational leaders. It is unlikely their children will ever have to face that dilemma. So once again we are on our own.

Two key figures in the struggle to unburden students of student loan debt are New York University professor Andrew Ross and the Reverend Jesse Jackson. One of the great civil rights leaders of the twentieth- and now twenty-first century, Jackson has long been on the forefront of issues regarding economic justice and the future of young people. He has recently taken a particular interest in the issue of student loan debt, and on May 6, 2014, he used his op-ed column in the *Chicago Sun-Times* to speak on the devastating impact that student loan debt has on both young people in particular but also their families, and on our nation as a whole. Entitled “Indenturing Our Young People,” the article notes that while since 2003 student loan has quadrupled to nearly a trillion dollars, during one of the worst employment climates in modern history, “because of the force of the bank lobby, student loans can’t be discharged with bankruptcy. They cannot be refinanced. They burden students for a lifetime. The feds will even garnish your Social Security to repay them.”³

The classic notion in the United States was that it was a land of opportunity and that merit and hard work, not birthright, would be the means by which people would rise to the top and be rewarded with secure futures. The educational system was precisely the mechanism that would promote the life chances of hardworking, committed young people. However, what we see all around us is not only the deep entrenchment of the 1 percent but also their jealous lock hold on the power to keep their amassed wealth and influence intact and perpetuated. Congress and the courts seem to be in the pockets of the rich—the last best hope we have is ourselves.

On May 14, 2014, I interviewed Rev. Jackson and asked him to add some thoughts to his *Chicago Sun-Times* piece. I was particularly interested in giving him the opportunity to draw out the connection between his work on this issue and his legacy of civil rights work. How was student loan debt related to issues of democratic participation and the idea of social justice, and what were its specific effects on the poor? I had three basic questions. First, I asked him why this issue was a priority for him at this time. He replied:

There is a connection between education, liberation, and advancement. When education becomes too expensive it discourages participation, and the poorer you are, the less able you

² See http://www.nytimes.com/2014/05/19/education/study-links-growth-in-student-debt-to-pay-for-university-presidents.html?hp&_r=0.

³ See <http://www.suntimes.com/news/jackson/27255325-452/indenturing-our-young-people.html#.U3fTQS-Cpdo>.

are to make adjustments. Some of our brightest people live in the poorest strata. The result is those who have the most money are the most likely to advance, but they are not necessarily the most able. That's one kind of philosophical angle.

The other angle has to do with the opportunity to compete. In terms of student loans, we are far behind where we are in other areas with regard to equity. Today's world is a competition. You need to have higher goals and more education just to make it, and yet tuition is rising at the same time, making getting an education more expensive than buying a house. Student loan debt is driven by the need to pay more to get more education than was necessary before, and the burden of repaying these huge loans is more onerous than making payments on a house or a car.

I remember when I was a kid, and the Russians launched *Sputnik*. We thought it was a threat that they had a scientific advantage over us in terms of outer space. And our reaction was to establish Educational Defense Loans under the National Educational Defense Act (NEDA). If you were going to college, studying science, you got scholarships like athletes did. And let's say you were a teacher teaching music and you wanted to take a summer course in science—you got it for free. We opened up the educational bounds and let education flow, and we caught up with the Russians in the battle for ideas and surpassed them and never looked back. We maximized access to education.

Now the reason I feel there should be student loan debt forgiveness is that I think it would be the best economic stimulus we could have. Millions of students can't graduate or can't marry or can't buy a home. Students are more likely to go home to their parents and work instead of getting an education—these are the negatives of the current system.

I then asked him how he saw this issue as continuous with his longstanding work on economic justice. Jackson's reply homed in on the ways our political and educational leaders have wasted human resources and allowed both the people and the nation to squander opportunities: "Student loan debt forgiveness is a big part of economic justice. As we expect more of workers, in the STEM areas but not limited to those fields, we need qualified people. And we have qualified people, but they cannot afford to get an education. And just as farmers growing apples cultivate apples, so should we grow our workforce. But we have become random in the ways we shape the education of our children."

Finally, I wanted to know what the Rainbow Coalition will be doing to address this issue.

We are calling for massive student activism. Students should organize against rising tuition and argue for their ability to stay in school. Just as we had antiwar protests, I think a debt forgiveness protest should start to occur. Students should challenge schools to lower the cost of tuition and we should expand Pell Grants. In terms of Parent Plus Loans—they are difficult to get and difficult to pay back even if you get one.⁴ This has particularly impacted Historically Black Colleges and Universities. Its impact on poorer schools and poorer students has been devastating. Schools like Morehouse College, where Dr. King went, and Howard University have suffered massive losses of students because of Parent Plus Loans.

⁴ Parent PLUS Loans are attractive in that they allow parents to consolidate their loans with those of their children—however, there are substantial hidden costs, and this often results in whole families sinking deeper into debt. See "The Hidden Costs of Parent Plus Loans," <http://www.forbes.com/sites/reynagobel/2014/05/14/the-hidden-costs-of-parent-plus-loans/>.

These are the screws that are tightening: as banks are getting zero interest loans and forgiveness, students are getting the opposite. They're bailing out banks and not bailing out students, and that is driving debt. As the upper 1 percent is driven upward, the middle class is being driven downward and the poverty base is expanding.

The key to the whole thing is that we need legislation like the NEDA—we need massive investment in our young people and loan forgiveness for those who have tried to make good on the promise of education. We have kind of given up on this idea [of investment and incentives], and as a result the bottom end of education has topped out.

Since Rev. Jackson spoke of the need for a mass movement of protest, I talked with Andrew Ross, who has been active in the field of debt resistance since the founding of the Occupy Student Debt Campaign in the early days of the Occupy movement. For the last two years, he has worked with the Strike Debt coalition, well known for issuing the *Debt Resisters' Operations Manual* and for the Rolling Jubilee campaign, which buys discounted debt for pennies on the dollar and abolishes it.⁵ To date, the group has eliminated almost \$15 million of medical debt and plans to begin abolishing student debt in the upcoming months. Ross sees these acts against a big historical backdrop: "Just as strife over wages was the great conflict of the industrial era, struggle over debt will be the frontline conflict of the next fifty years. Not because wage conflict is over (it never will be) but because debts are, quite literally, the wages of the future, to which creditors lay claim far in advance." In his recent book, *Creditocracy and the Case for Debt Refusal*, Ross argues that "it is not enough for every social good to be turned into a transactional commodity, as is the case in a rampant market civilization. A creditocracy emerges when the cost of each of these goods, no matter how staple, has to be debt-financed, and when indebtedness becomes the precondition not just for material improvements in the quality of life, but for the basic requirements of life." Student debt, he argues, is one of the most immoral, antisocial kinds of debt because it "eats away at the very foundations of society, and stifles the optional political imagination of students at a time when their minds are being opened up."⁶

He brings up the point that Rev. Jackson emphasizes as well: "Because student debt is non-dischargeable, and there is no statute of limitations on federal loans, it has assumed the air of inescapability. Indeed, many borrowers speak about their student debt as if it were a kind of life sentence." "Elected officials have not been able to provide debt relief," observes Ross, "and so people must take debt relief for themselves, by any means necessary, but primarily in the form of economic disobedience." He sees a debtors movement coming into being in the years to come. In the absence of one, democracy will fail in the United States, as it has in other heavily indebted countries. Ross adds:

Importantly, student loan forgiveness, while readily understandable to many, is not the pathway advocated by Strike Debt. "Forgiveness" implies that the debtor has done something wrong—the notion of forgiveness belongs to the charity, and not the justice, tradition. Besides, even in the event of a mass debt jubilee, the immoral system of debt-financed education would still remain the same—debt would simply accumulate again. Strike Debt advocates instead for a free system of higher education. Everyone knows that college costs are too high, but few

⁵ See <http://strikedebt.org/>; <http://strikedebt.org/drom>; <http://rollingjubilee.org>.

⁶ Andrew Ross, *Creditocracy and the Case for Debt Refusal* (New York: OR Books, 2013).

people know how little it would cost to cover the tuition at public colleges. According to its estimate, if you stripped away all of the tax credits and exemptions that currently subsidize the federal student system, and reclaimed the public money (Pell Grants and GI Bill funds) that is inappropriately allocated to for-profit colleges, you would only need \$12.8 billion in additional funding for the federal government to cover tuition at every two- and four-year college in the country. That's all it would cost to put the US on the long list of industrialized countries around the world that provide free higher education.

The slogan trotted out for the bank bailout was that they were “too big to fail.” What does it say when we (the government, our universities, and the people), by not attempting to address the issue of student loan debt, acquiesce to the notion that the right to higher education, and the future it was to allow our young people to pursue, is expendable?