Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
May 5, 2022 at 10:00 AM

Thank you, Mr. Chairman.

When Congress created universal student loan programs, it didn't call them student grant programs. In fact, there are separate grant programs, like Pell, for low-income students. Congress created the student loan program with the same expectations as any other loan program: the loans would be paid back.

Now some of my Democrat colleagues want the president, despite his lacking the authority, to cancel many of these outstanding loans—effectively converting them into grants of potentially tens of thousands of dollars per borrower.

Let's be clear about what "canceling" student loan debt means. It's a massive wealth transfer from taxpayers to a small subset of mostly wealthy individuals.

First, fewer than one in five adults even have federal student loan debt. That means that 210 million American adults have no federal student loan debt. Why do 80% of American adults have no student loan debt? Because many of them never went to college, or they went to college without taking on student loans and just paid as they progressed, or they took out student loans and paid them back.

Second, individuals with a bachelor's degree or higher overwhelmingly make more money than people who don't. The vast majority of them are perfectly able to repay their loans. They have significantly lower unemployment rates. And on average, earn a million dollars more over their lifetimes than non-college graduates.

Third, student loan debt is primarily owed by wealthy families and graduate students. Even the Washington Post's left-leaning editorial board has blasted the President's plan as a transfer to the wealthy, writing that "a broad cancellation would offer huge, undeserved benefits" to individuals in high-paying fields, and correctly pointed out that "the vast number of

American taxpayers lacking university degrees would subsidize well-heeled, white-collar professionals."

All student debt is obviously voluntarily incurred. Over half of all student debt is taken by graduate students, many of whom happily incur the debt because they are entering high-paying fields like business, medicine, and law. Of course, some grad students have degrees that are not highly valued by the labor market.

As the Wall St. Journal wrote, "doctorate recipients in the humanities in 2019 earned $53,000 on average. Machinists make more." This begs the question, why should a machinist ever have to pay off the loans of an art history PhD let alone a medical doctor?

Beyond being a massive wealth transfer to the well-off and well-credentialed, student debt cancellation is grossly unfair to every other American. Frankly, it's a slap in the face to the machinist, to the taxpayer, to anyone who didn't go to college, and to anyone who works for a living, making financial sacrifices so they can pay their own or their kids' college bills—they saved instead of going on vacation or splurging on gadgets.

Those people don't have student loans, but they have other debt. Should the government "cancel" their mortgages, car loans, and credit card bills? Of course not. It's almost never acceptable for the taxpayer to be responsible for someone else's voluntarily-incurred private debt.

Cancellation of student debt obscures the root cause of the problem: the rising cost of higher education. For decades, the government showered students with cheap debt and grants to go to college. With government paying so much of the cost, students are largely indifferent to the price.

Understanding that price didn't matter to their customers, colleges responded by raising tuition. According to a study by New York Fed economists, anytime there's an increase in the amount that a student can take out for a federal subsidized loan, 60% of that increase is passed through as a tuition hike.

The solution is obvious—less government subsidization and more personal responsibility. But it seems some have forgotten these immutable economic truths.

Colleges have little incentive to keep prices reasonable if they believe government will “cancel” debt. They have already demonstrated that they are willing to raise prices at multiples of the rate of inflation because they can.

If government starts cancelling everyone’s debt, then we can expect another surge of higher ed inflation. With the government expected to issue roughly $1 trillion in new student loan debt over the next decade, we will soon be back in this same position.

I’ll conclude by dispelling an argument you may hear today: that student debt cancellation will ease inflation. The opposite is true.

Through May 1 of this year, the non-partisan Committee for a Responsible Federal Budget, or CRFB, estimated that the COVID student loan repayment pause has already effectively cancelled $5,500 per borrower, and thereby pumped roughly $5 billion of excess stimulus into the economy each month with no corresponding increase in the supply of goods and services.

The CRFB estimates that full debt cancellation could raise inflation by between one-third and one-half a percent. In addition to being egregiously bad and unfair policy, Americans simply can’t afford it.