STUDENT LOAN DEBT

Dr Paul Hahn

Theology Department

University of St Thomas

Houston TX 77006

© 2022

When I finished my PhD, I owed $40,000 in student loans. My wife’s loans were larger, maybe $60,000. It took us 10 years to pay the loans off.

One of the terms I learned by studying economics was “human capital,” a useful term and for me a new way of seeing the development of a person’s potentialities. Education is surely the principal way to develop human capital. From 1st grade to PhD, I spent 25 years in classrooms as a student. From 1971 (teaching my first college class) to 2011 (retirement), I spent 40 years in classrooms as a teacher. No regrets: that was how I wanted to spend my life.

I think the government should not pick and choose whom to lend to. Think how difficult communist governments find it to pick which levers of the economy to pull. (And which levers of society—e.g., China’s one-child policy.) Leave it to the collective wisdom of the community as a whole (an invisible hand?).

I don’t see why higher education is not treated as equivalent to infrastructure. The government provides, free of charge to businesses, the clean water, roads, bridges, and so on that the American economy requires. Why doesn’t the government provide, free of charge to businesses, the educated workforce that the American economy requires? In both cases, society pays (as taxpayers), and society reaps the reward (individually, as wealth; collectively, as revenues).

Businesses need infrastructure to function, and businesses need human capital to function. In the nineteenth century, land-grant colleges spurred a more educated workforce—and that was one cause of America becoming the dominant economic power after WW I. What about the GI Bill? Look what a boom the ´50s and ´60s experienced.

Here are the average annual incomes for three levels of education, for workers aged 18 and older in 2019 (according to the Census Bureau):

high school graduate $39,371

bachelor’s degree $73,163

advanced degree $106,767

Income jumps by almost $34,000 between each of the levels.

So my question is: shouldn’t the government subsidize those getting an education, since the more education a citizen has, the more he or she will contribute to the economy (both as producer and as consumer)?

But we should adjust the government grants according to family income of students so that we don’t subsidize education for wealthy people who can well afford it.

🙞

Ben Carlson asks a pertinent question:

. . . why are the interest rates [on student loans] so high? I came out of school with around $25,000 in student loan debt. But the interest rate I paid on that debt was a shade over 2%. Today rates are around 6%. Why doesn’t the government take the rates down from the current 6% or so to the 10-year treasury rate? Or maybe closer to mortgage rates? What’s the point of charging our young people such egregious borrowing rates when the government is administering most of these loans? (“Bigger Problem: Student Loans or Credit Card Debt?” *AWealthofCommon Sense*.*com*. 20 Nov. 2020. 22 Nov. 2020. Web.)

Why should student loan debt be a source of revenue for the federal government? Do we really want to burden those just starting out, rather than help them?