Jason Altmire (00:04):

Hello, and welcome to another edition of Career Education Report. I am Jason Altmire and I am sure that you have all heard of the organization, Committee for Responsible Federal Budget, because they are quoted extensively when it comes to budget season in Washington whenever they talk about deficits and debt, the shortfall in the Social Security and Medicare trust funds, healthcare reform, and many other issues. And they are ubiquitous across Washington whenever these issues get talked about on TV, radio, in person and committee hearings.

(00:39):

And today we have Marc Goldwin, who is a senior leader at CRFB, and he recently testified before the Higher Education Subcommittee talking about higher education and the impact of the various student loan policies on the government's ability to continue to function related to deficit and debt.

(01:02):

Marc, I know you are incredibly busy and in demand. We really appreciate you being with us today. Welcome to the program.

Marc Goldwin (01:09):

Well, thank you so much for having me, Jason.

Jason Altmire (01:12):

We'll get into the higher education issues in great detail, but can you talk a little bit about the organization, Committee for Responsible Federal Budget? What is your mission and how do you spend your time mostly?

Marc Goldwin (01:24):

Sure. So the Committee for Responsible Federal Budget is a nonpartisan think tank, and a lot of groups in Washington DC say they're nonpartisan, but we are actually nonpartisan. Our co-chairs include Leon Panetta, who was President Obama's Secretary of Defense, President Clinton's Chief of Staff. They include Mitch Daniels, who was President Bush's OMB Director and Republican Governor. And they include Tim Penny, who's the political independent. And these folks and others on our board disagree on size of government, on what the tax code should look like, on a whole host of issues. But we all agree that the deficit and debt need to be put on a more sustainable path. And what we're doing day-to-day is analyzing what's going up on the Hill, analyzing what's going on in the economy, and producing information that we hope will be helpful to Hill staff, to the administration, to the media, and to the general public to really just understand our underlying budget and fiscal situation.

Jason Altmire (02:19):

You and your team spend a lot of time on Capitol Hill talking about the long-term impact of various budget policies, and as I mentioned, you were very involved in the healthcare debate, continue to be to this day when the public programs like Medicare and Medicaid are debated, always in the news, talking about deficit and debt when those issues are in the news as they are today. And you recently became involved in the discussion on higher education as it relates to, in particular, the Biden administration's proposal on the various student loan issues. Can you talk about why you felt like you had to enter that debate with such force?

Marc Goldwin (03:02):

Sure. So I've always had an interest in higher education financing, but from a budgetary perspective, it's never made a big difference because for the most part, the student loan program paid for itself. We lent people money, they paid it back. That's changed with the recent debate. In fact, between the various debt cancellation policies the president has proposed and put into effect, and the recent pause, we have spent more on debt cancellation in the last two years than in our entire nation's history prior to the pandemic. This president and a little bit less presidents, but for $970 billion of debt cancellation. Again, that's more than we've spent on everything for higher education, Pell Grants, loans, et cetera, for our entire nation's history.

(03:48):

So suddenly this is a big budget issue and this debt cancellation is coming, I think at the exact worst time economically, because it's coming at a time that it's actually exacerbating our inflation crisis and not to support those that are most in need, but to support the upper educated echelon of Americans, especially in the upper half, and to some degree the doctors and lawyers that have these tremendous loan balances, but also are going to have hundreds of thousands of dollars of income per year and really don't need more relief.

Jason Altmire (04:20):

When you testified before Congress, you didn't just testify on debt cancellation, you talked about the repayment pause, income-driven repayment, and other student loan policies. And in the information that you conveyed, Committee for Responsible Federal Budget included a cover letter that I thought was very interesting in the way they described what you were talking about. And they said that the recent policies were costly, inflationary, economically and financially unjustified, and poorly targeted. So those are pretty harsh words for somebody coming in from a nonpartisan organization talking about programs that for the most part are politically popular. So can you talk about the reason that you felt to take such a strong position and when you testified before the committee, what was the message that you conveyed?

Marc Goldwin (05:13):

We don't take these comments lightly. In general, we're sort of a go well, be well type organization. If you want to spend money, that's fine, just raise the taxes to pay for it. If you want to cut taxes, that's fine, just cut the spending or raise other taxes to pay for it. But sometimes spending decisions are so egregious that I think we feel the need to speak out. As you mentioned, they are expensive. These things together cost about a trillion dollars. At my hearing, most of those that I think were defending the policies, were mainly talking about the need to double Pell Grants. They support doubling Pell Grants. I think that's a very admirable goal.

(05:49):

What they don't realize is we could have quadrupled Pell Grants for the price of this debt cancellation. We could have quadrupled it. Instead, what we mostly did is gave a windfall to people that largely don't need it. There are certainly folks that are really struggling with student debt, don't get me wrong, but those with the largest balances, those that have $200,000, $300,000 worth of debt, those aren't generally the folks that are struggling. Those are the folks that have a medical degree or a dental degree and are going to start making $200,000, $300,000 a year and they will be able to pay it back. But the debt to cancellation doesn't really discriminate. In fact, the pause itself goes sort of dramatically towards those with the largest balances. So the pause especially, but many of the other policies as well are just pretty regressive in terms of who they benefit.

(06:34):

As you also mentioned, they are inflationary. We have a problem right now where demand is exceeding supply. We have a problem right now where inflation is surging and expectations are out of control. And debt cancellation makes that worse because the pause, for example, tells people, instead of putting your money to pay down your loan, you should go spend it in the economy elsewhere. And in fact, advocates brag about this. They say debt cancellation will allow people to put their down payment on a house or on a car or things like that. These are all great things for individuals, but when everybody's doing it at once in an economy that's already supply constraint, it leads to higher inflation. It makes the Federal Reserve's job of fighting inflation more difficult, and it thus increases the likelihood we'll end up in some kind of recession.

Jason Altmire (07:17):

And you talked about with regard to the pause in repayment for students and debt cancellation, which you're talking about now, you said that it would worsen the inflation and the recession risk, but you also said that those policies are poorly targeted and pay windfalls primarily to high income earners. Can you explain how that works?

Marc Goldwin (07:40):

Right. So the pause is the best example for this. The people that benefit the most from the pause are those with either the highest balances or the highest interest rates. And those areas, I said doctors and lawyers, there's a cap on how much undergraduates can borrow. So undergraduates cannot have hundreds of thousand of dollars of balances. The only way is to have a graduate degree. And really the only way to be at $300,000 is to have a medical degree. Those loans also have higher interest rates. So those folks benefit by far the most from the pause. They benefit from lots of parts of the income-driven repayment the most.

(08:13):

The president to his credit, tried really hard to make his cancellation progressive. They did that by doing some means testing at the very top by doubling the size of cancellation for those that have Pell Grants. And despite that effort, we still find more than half the benefit goes to the top half. By some measures as much as 60, 65% of the benefit goes to the top half. So it is really hard to target these benefits to low-income people. The reason being most low-income Americans do not have a college degree. Most low-income Americans did not go to college, and if you did not go to college, you don't benefit anything from student debt cancellation.

Jason Altmire (08:49):

That's one of the concerns that I hear when I'm out talking about these issues. People will say, "What about the people who don't go to college or choose a different career path and what's the benefit to them?" But I also hear from people who will say, "I worked hard. I put myself through college." Or parents who will say, "I put my children through college. I didn't take out loans specifically because I didn't want to saddle my kids with debt." And what's the fairness there? Had they known that the debt was just going to be forgiven, repaid for them, they might have taken a different path.

Marc Goldwin (09:23):

Yeah, I mean, this is incredibly unfair. And look, public policies are unfair all the time. That's just the reality. When we pass a new tax cut or new spending provision, we don't go back and give it to everybody that could have gotten in the past. But this is unfair without sort of having that other benefit that makes it worth it. It's punishing exactly people that you'd want to reward, those that paid more of their own way through college, those that paid their loans off faster, those that decided instead of going to college to enter a vocational, they're all punished effectively by this program. So, I think it's really unfair.

(09:55):

I also really worry about the president's new proposal going forward for income-driven repayment because it sort of turns the entire student loan thing into tuition roulette. Under the new system, everyone's going to take out debt, but they're going to have no concept of whether they'll end up having to pay it back or not. Maybe they'll get lucky and another president's going to cancel debt if the court rules this legal. Maybe they will have low income or modest income for their first few years after graduation. And so the income-driven repayment program is really going to drive down their costs. Maybe they'll get married earlier.

(10:27):

But for all these arbitrary reasons, they may not have to pay it back or they may have to pay it back in full. And there's almost no rhyme or reason to it. I think that really breaks the higher education system. It's going to encourage higher tuition. It's going to encourage more low-quality degrees, some totally garbage degrees to really exploit this. And the unfairness and uncertainty, I think are borderline criminal.

Jason Altmire (10:50):

You got a lot of pushback from advocates for the administration and consumer groups after your testimony, in part because it was so compelling, but also because of the credibility of the group. And you haven't really weighted into these issues related to student debt in the past. And one of the arguments that you put first and foremost was that these debt actions were economically unjustified from a public policy perspective. I think that's where you got the biggest pushback because obviously advocates from the Biden administration believed that the whole point of doing it is because they are economically justified. Can you explain the disconnect that they may have there?

Marc Goldwin (11:30):

Well, this is a legal argument and a political argument, I think more than an actual economic one. But when we put the pause in effect in the spring of 2020, it's because the economy was in meltdown, right?

If you remember, we were all locked in our homes. We couldn't go to work, we couldn't go to market. We were maybe headed for a depression. And so the government took every single tool in its toolbox, including saying, for a temporary period of time, people will not have to pay back their student debt. Temporary pause just to make sure people had enough money to make it to the next week. I think that made total sense.

(12:02):

Now, we extended that pause through 2020 into 2021. I think each extension made less sense than the one before it. But there was still some justifications when the unemployment rate was high, when the economy was weak. By mid 2021, it no longer made any economic sense. By mid 2021, the unemployment rate was clearly handed back towards normal levels. We now have the lowest unemployment rate, by the way, in 50 years. Those with college degrees had an unemployment rate of about 2%, which they still do today. And households had larger balance sheets, better cash balances, bigger bank accounts than they had had any time in the last two decades since the '90s, if that.

(12:43):

And so there was no longer an economic reason to extend the pause, and yet the administration is arguing in court that the reason they are canceling debt is that there's still ongoing pain from the pandemic, financial pain that requires debt cancellation on top of this pause. I find that very hard to believe when the unemployed rate is 3.5%. It's 2% among college graduates. The administration is putting data elsewhere to show defaults, delinquencies, all these things are at an all-time low. They went with one hand to tell us about how great the economy is, and then another hand say, but for those small set of people, 13% of Americans that have student debt, many of whom have advanced degrees, somehow the economy is so much worse as a result of COVID that a three-year pause wasn't enough. And we also need to send them a check for $10,000 to $20,000. I'm just not buying it. There are always vulnerable people in this country, and we should be doing what we can to help them, but the people that are helped by the student debt are the least vulnerable, not the most vulnerable among us.

Jason Altmire (13:43):

In talking about these policies through in the issue of income-driven repayment as a policy for which there are negative consequences, can you talk about why you included that?

Marc Goldwin (13:57):

Yeah, so we have several income-driven repayment programs right now, and I'm actually a big supporter of these programs that are strengthening them. What they say is we're going to cap how much you have to pay in a given year as a share of your income. And if you follow the rules for a certain number of years, maybe it's 20, maybe it's 30, we'll forgive what's left. I think that's a very good concept. We should be getting more people in those programs.

(14:19):

The problem is the administration sort of put forward a new proposal that took this to its extreme. It reduced the cap on how much you have to pay for up to only 5% of your income. It created such a large disregard that some households making six figures will barely have to pay anything. Certainly households that are making 60,000, 70,000 will barely have to pay anything. It cancels your interest that accumulates, which is really a big giveaway for doctors. I mean, doctors more than anyone else because you have a four-year residency period plus two years of medical school where it looks like you're low income, even though you're just setting the stage for very high income, and we're going to cancel tens of thousands of dollars of interest for that. When you put all these things together, it just turns student loans from a loan program with a safety net into tuition roulette, where you don't know whether you're going to pay it back or not.

(15:10):

So look, I'm all for fixing the income-driven repayment program, expanding and strengthening it. I think there's actually bipartisan interest in this, and if the administration had gone to Congress and said, "This is a priority of ours," I think they could have gotten a good deal. One that maybe went a little bit further than I would've wanted to go, but was directionally right. But instead they did something unilaterally that just did sort of the most extreme version of every policy together. And I think it's going to break the higher education system. It's really going to break it if it's allowed to go into effect.

Jason Altmire (15:42):

In your testimony and the writing that occurred afterwards and the talks that you've given on this, there is another subject that the president has prioritized, and that is free community college that you and the Committee for Responsible Federal Budget do not seem to have as much concern about along these lines as the other policies. So can you kind of talk about where you see the free community college proposal fitting into these ideas?

Marc Goldwin (16:12):

My personal opinion, I think we ought to be investing more in education, to get people education. I support more investments in pre-K, I support more investments in community college. I think there's rooms to expand or better target Pell Grants. What I don't think we should be doing is sending windfalls to people after the fact in an arbitrary way where the windfalls go up as your income does. And so I don't think the president's free community college plan is perfect, but that idea that we should make it easier for people to be able to go to community college so they can get a degree, that's a good idea. We should figure out ways to make community college more affordable. The idea that we should let people go get their degree, and then after the fact say, "Hey, here's $10,000 or $20,000," we're only giving it to people that have college degrees. That's a bad idea. That idea doesn't encourage anybody to go to school. They already made the choice to go to school. It just provides a windfall to people that mostly don't need it.

Jason Altmire (17:07):

And the overall focus of your organization, Committee for Responsible Federal Budget, has always been the negative consequences of government deficits and the long-term national debt. Can you talk about why it is so important to focus on those issues? Because I'm sure you realize that many Americans don't really understand the significance of it, how bad the problem is today, why we need to pay any attention to it. Why do you as an organization focus so much on that? How important is it for the country?

Marc Goldwin (17:43):

So when we look at the debt as a share of the economy, we are five years away from being more indebted than we were just after World War II, but unlike after World War II where we had a plan to pay it back to balance budgets, what we see after that is debt continuing to explode. That means higher interest payments. By next year, the federal government will spend more on interest than everything it spends for children. In five years, it will spend more on interest than it spends on defense. And in about a quarter-century, interest will be the single largest government program, larger than social security, larger than Medicare. And every dollar we're spending in interest is a dollar we can't invest in education or we can't use for tax relief, or we can't use to secure our country. So, I worry about those interest costs.

(18:26):

I also worry that as we add more and more to the debt, we're sapping up the growth of the economy because more and more dollars are going to purchase those government bonds instead of being invested into new technologies and new ideas and new capital and new equipment. And so the higher debt slowly but surely slows our growth, weakens our investment, puts us in a less strong and more than certain global position, and it's unsustainable, which means sooner or later we could face a financial crisis caused by this high debt.

Jason Altmire (18:57):

Depending on the audience that you're speaking to, if you're talking to a Republican audience, they will say, the solution to this problem is to cut government spending. And if you talk to a Democratic audience, they will largely say, the solution is to raise taxes. They'll probably also say, cut defense and maybe some other programs. But for the most part, you have two completely different views of how to accomplish this goal. You either increase revenue by raising taxes or you decrease government spending. But you have been very forceful in arguing that you have to do both. You cannot effectively get to the heart of this situation unless you do both. Can you explain why that is?

Marc Goldwin (19:37):

I think that's right. Look, on paper, it would be reasonable to either support a spending-only solution or a revenue-only solution. But in reality, we need about $8 trillion of savings over the next decade just to stop debt from growing relative to the economy. We need about 16 trillion to balance the budget. There is no way that either of those are happening without both spending and revenue being part of the solution. We could tax every last dollar for people making over $400,000 a year, and we would not have enough to balance the budget or to stabilize the debt and pay for new priorities. We could cut virtually all spending other than Medicare, social security, and defense, and we would barely get to budget balance.

(20:19):

So we are not going to do this by just looking at a small segment of the budget or just a small segment of the tax code. Everything's going to have to be part of the solution. And I would start with healthcare where costs are really out of control and there's so much we can do to lower those costs without actually reducing benefits. But then we got to bring in discretionary spending, defense spending. We need to have a social security solvency plan. We need to fix the tax code, corporate and individual, with more revenue. We need to look at new kinds of taxes and we need to look at higher education. I don't think this problem can be solved if we're not looking at basically all parts of the budget and the tax code.

Jason Altmire (20:55):

If you could walk through that one more time. It's in the public discourse today, it always comes up primarily from conservative audiences who want to see deeper cuts in government programs. Contrast how severe the problem is of our annual deficits versus what those cuts would actually look like on key programs if we were to engage that even over a period of five or 10 years.

Marc Goldwin (21:23):

We put out a plan that tries to stabilize the debt. Its current level's $8 trillion. We tried to do it as fair a way as possible, and I have to say it's not pretty. We found ways to lower healthcare costs that we think didn't hurt beneficiaries too much, but we had to raise taxes, we had to limit spending growth, we had to cut defense. There's not really easy solutions to this. You can't just grow your way out. You can't just cut away fraud and abuse or foreign aid or reduce the unpaid taxes, the tax gap or things like that.

(21:52):

But the alternative is a debt that's continuing to rise unsustainably. We saw the Silicon Valley Bank crisis was a little bit microcosm of what a fiscal crisis could look like. High interest rates caused their balance sheet to devalue, caused a selloff, caused a mini run on deposits. Imagine that times 1,000. That's what we're facing if we ever got into a fiscal crisis. And I promise you that's going to be a heck of a lot more painful than paying 2% more in taxes.

Jason Altmire (22:20):

Marc Goldwin is the Senior Vice President and Senior Policy Director for the Committee for Responsible Federal Budget. Marc, if somebody wanted to get in touch with you or learn more about the organization, how would they do it?

Marc Goldwin (22:33):

So check out crfb.org. We have all sorts of analyses there as well, some interactive tools that lets you design your own ways to fix and improve the budget.

Jason Altmire (22:42):

And I'll just say on that point as we close, I've done that. I participated in some events on college campuses with you, and it is fascinating when you take that tool and you do look at the federal budget and you try to make it balance by cutting different things and playing with taxes and looking at government programs. I would encourage people that are interested in learning how difficult a task it really is to check out that tool on their website. Marc, thank you very much for being with us.

Marc Goldwin (23:12):

Well, thank you so much for having me.

Jason Altmire (23:21):

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