



Debt Forgiveness

Several Democratic proposals have been introduced this Congress that would forgive all outstanding debt for student loans and past-due medical bills.¹ These proposals would not only eliminate all unpaid debt, but would also fail to make significant reforms to the education finance and health care systems that contribute to Americans incurring debt in the first place. Debt forgiveness is not a long-term solution to these problems. Lawmakers should support necessary structural reforms to drive down costs rather than proposals that would perpetuate the systemic flaws within these programs.

Debt Forgiveness Would Bust the Federal Budget. Proposals have recently been advanced which would eliminate all outstanding student loan debts, which collectively total \$1.6 trillion nationwide.² Additionally, Americans currently hold \$81 billion in past-due medical bills which would be eliminated under a separate proposal.³ Together these plans would do away with \$1.7 trillion in debt, equivalent to over \$5,000 per individual in the country.⁴

Debt Forgiveness Is Unworkable. Forgiving debt does not address the root causes of rising, unsustainable education and health care costs. Education expenses have drastically risen over the past few decades. For example, between academic years 2006-2007 and 2016-2017, prices at public and private nonprofit institutions for undergraduate tuition, room & board, and fees increased by 31 percent and 24 percent respectively, adjusted for inflation.⁵ Additionally, health care costs have been rising on an upward trajectory. Overall national health care spending over the next decade is projected to grow 0.8 percentage points faster than Gross Domestic Product. Further, out-of-pocket spending for individuals in 2019 continues to grow rapidly at 4.8 percent, outpacing inflation, due to faster spending growth in many services such as physician and clinical services and prescription drugs.⁶



Forgiving student loan debt disproportionately benefits the upper-middle-class. According to the Urban Institute, the top 25 percent – or households with incomes over \$97,001 – hold 34 percent of outstanding student loan debt.⁷ Moreover, debt forgiveness may establish the precedent that the federal government will relieve debt in the future at any time. This could provide an incentive to raise prices, costing taxpayers.

Republican Solutions. By offering debt forgiveness without addressing the underlying problems of costs rising, federal deficits will rise and Americans will likely face the same financial challenges over the next decade and into the future. Republicans have supported reforms to the education finance and health care systems which encourage competition and innovation, while driving down costs for both Americans and the federal government. Republicans support streamlining higher education programs and financing and providing financial stability to grant programs targeted towards low-income students. Moreover, Republicans have proposed reforms to the health care system that improve value and increase choice by reducing both prescription drug prices and costs of physician and clinical services. Rather than pushing budget-busting proposals, Congress should enact responsible policies that work for the American people.

¹ <https://berniesanders.com/issues/free-college-cancel-debt/>, <https://berniesanders.com/issues/eliminating-medical-debt/>.

² <https://berniesanders.com/issues/free-college-cancel-debt/>

³ <https://berniesanders.com/issues/eliminating-medical-debt/>

⁴ Calculation of proposed total debt eliminated divided by current U.S. population

⁵ <https://nces.ed.gov/fastfacts/display.asp?id=76>

⁶ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>

⁷ <https://www.urban.org/urban-wire/which-households-hold-most-student-debt>