Rutland Herald

Rep. Peter Welch hopes to block an automatic increase in the interest rate on Stafford student loans that would heap extra debt on millions of college students.

According to Welch, student loan debt in the United States is close to $900 billion, exceeding credit card debt and auto loans. There are many reasons for the growing debt load, but the effect is to saddle the new generation with an economic burden that could place a damper on economic growth for years to come.

Students have been caught in a vise. Incomes have stagnated in the past decade for their parents, yet the costs of higher education have skyrocketed. It used to be that an ordinary middle class family could scrape together most of the money for the kids' tuition and college costs on an ordinary middle-class income. But now financial aid has become a necessity to pay the costs of college for most students.

In order to survive many colleges have engaged in a kind of arms race, adding ever more deluxe amenities to attract students, thus forcing up the price. Expensive schools like Middlebury College are in competition with other expensive schools, such as Williams and Amherst, and the $50,000 price tags these colleges charge are the result.

But even public universities have felt the pressure. A generation ago the University of California system was tuition free; now it costs more than $30,000, including living expenses. The tuition at the University of Vermont is $12,888 for in-state students and more than $20,000, including living expenses.

All of these schools offer abundant financial aid because they have to. That is why student debt load has reached nearly $1 trillion. Young people understand the importance of a college education, and they figure they'll pay their debt off later. Thus, as they begin their working lives, students are shouldering an average debt load of $30,000. Vermonters have the sixth highest debt load among the states, according to Welch.

The banks or government agencies that hold this debt are happy to collect it, but the effect is to reduce young people to a sort of debt peonage, where their working lives are dedicated, not to get getting ahead, but to paying off loans.

The accumulation of debt by the American people, including home mortgages, credit card debt and student debt, is another sign of the shift of wealth away from ordinary people and into the hands of large institutions and the wealthy Americans who are big investors. If you are a creditor holding millions in student debt, you have the wealth; the debtor has the obligation.

Sometimes incurring debt allows for economic progress. A responsible mortgage allows for home ownership and freedom from the obligation to a landlord. But when the debt is too burdensome, our position becomes like that of the coal miner indebted to the company store.

Welch is backing a bill that would extend the current interest rate of 3.4 percent on Direct Stafford Student Loans. Without congressional action the rate will double on July 1 this year, and the interest on a 20-year loan at the maximum amount would increase by $11,000. Interest rates for mortgages are now at 4 percent or just a little lower. There would seem to be little reason for a student loan interest rate, repaid to the government, of 6.8 percent.

Over time it ought to be the goal of Congress and other policymakers to lift the economic burdens holding down the middle class and funneling the money of ordinary Americans to the powerful institutions making profits by making serfs of citizens. Certainly, there is no reason for the government to exploit the need of students to get an education.

Higher education will be an important part of any economic revival that we might enjoy in the coming years. We need to reduce, not increase, the debt burdens young people are forced to carry as they get started in life.