



Written by [Brian Koenig](#) on March 23, 2012

## Student Loan Debt Reaches \$1 Trillion

Constitutionalists and free-market economists claim that the idea that every high school graduate is entitled to a government-subsidized loan to attend a \$30,000-a-year university is fiscally maniacal. But unfortunately, it's also a fiscal reality that has propelled college graduates into financial Armageddon.

Indeed, U.S. student-debt outstanding [exceeded \\$1 trillion](#) last year — according to new estimates released by the Consumer Financial Protection Bureau (CFPB) — potentially leading to further delays in home-buying and, in turn, an extended impasse on the housing recovery. CFPB student loan ombudsman Rohit Chopra, for instance, [asserts](#) that “first-time home-buyers are a substantial part of the housing market,” and “instead of saving for a down payment, these borrowers are sending big payments every month.”



Bankruptcy attorneys are [observing firsthand](#) the calamitous rise in student loan debt, as a recent [survey](#) conducted by the National Association of Consumer Bankruptcy Attorneys found that 81 percent of bankruptcy lawyers disclosed that the number of prospective clients holding such debt has inflated “significantly” or “somewhat” in the last three to four years.

The student debt debacle, which some experts are labeling the “[next debt bomb](#),” involves a coterie of malefactors. On the surface, the culprits entail a stale economy, rising interest rates, and persistently high unemployment. Moreover, CFPB officials contend that such debt is rising because young Americans are returning to college simply to avoid the anemic labor market. These seem to be the logical — and more politically safe — explanations.

But despite what Washington’s entitlement-touting bureaucrats attest, that’s not the end of the story. It encompasses a much more complex plotline.

Predictably, government deserves much of the blame, as its intervention in the higher-education market has spawned a seemingly irreversible distortion that has led to increased tuition costs, and consequently, a monumental rise in student loan debt.

Liberal professors and Occupy Wall Street protesters neglect to realize that their entitlement-based ideology — which affirms that “every American is entitled to a Harvard degree” — is the transgressor.

Similar to the third-party-payer system that is now rattling the fiscal status of American healthcare, the federal government has bolstered its authority in subsidizing tuition costs, as students accumulate bulky government loans to finance their education. This reformed system distorts the high school



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graduate's motive to pursue the most competitively-priced schools, prompting many students to select institutions charging \$40,000 a year for tuition.

Naturally, this allows colleges and universities to balloon their tuition rates, and thanks to the political meddling that has severely deformed the education market, these institutions get away with it.

As Chopra seemed to indicate, America's entitlement ideology has left unemployed college graduates in financial turmoil: "Young consumers are shouldering much of the punishment in the form of substantial student-loan bills for doing exactly what they were told would be the key to a better life."

*New York Times* columnist Paul Krugman is the prime example of such advocacy, as he incessantly rails against those who believe doling out \$40,000 a year for higher education is not always the favorable choice. "Don't just go to one that has the highest price," Mitt Romney recently [told a student](#) at a town hall meeting. "Go to one that has a little lower price where you can get a good education. And, hopefully, you'll find that. And don't expect the government to forgive the debt that you take on."

Krugman was aghast. "Wow. So much for America's tradition of providing student aid," he wrote in a March 8 [article](#). "And Mr. Romney's remarks were even more callous and destructive than you may be aware, given what's been happening lately to American higher education."

"For the past couple of generations, choosing a less expensive school has generally meant going to a public university rather than a private university," Krugman continued. "But these days, public higher education is very much under siege, facing even harsher budget cuts than the rest of the public sector."

"One result has been soaring fees. Inflation-adjusted tuition at public four-year colleges has risen by more than 70 percent over the past decade. So good luck on finding that college 'that has a little lower price.'"

Well in that case, let's add up the variables: Government-subsidized loans have caused tuition costs to soar and imprudent government spenders have prompted widespread budget deficits. It appears that Mr. Krugman debunked his own entitlement ideology without even knowing it.



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