

GENERATION OF DEBT

the university in default
& the undoing of campus life



a project of

reclamations journal

august / september 2011. berkeley, ca.

Editors

Amanda Armstrong (Rhetoric, UC Berkeley)

Chris Chen (English, UC Berkeley)

Munira Lokhandwala (Film, UC Berkeley)

Paul Nadal (Rhetoric, UC Berkeley)

Zhivka Valiavicharska (Rhetoric, UC Berkeley)

Editorial Council

Gopal Balakrishnan (History of Consciousness, UC Santa Cruz)

Wendy Brown (Political Science, UC Berkeley)

George Ciccariello-Maher (Political Science, Drexel University)

Lyn Hejinian (English, UC Berkeley)

Caitlin Manning (Art and Technology, California State
University, Monterey Bay)

James Martel (Political Science, San Francisco State University)

Robert Meister (Politics, UC Santa Cruz)

Ananya Roy (City and Regional Planning, UC Berkeley)

Richard Walker (Geography, UC Berkeley)

Contact

editors[at]reclamationsjournal.org

contents

<i>six pictures of our insolvency</i> photo essay by daniel marcus	3
<i>insolvent futures / bonds of struggle</i> by amanda armstrong	4
<i>bad education</i> by malcolm harris	8
<i>a framework for student debt</i> by mark paschal	19
<i>the student loan debt abolition movement in the united states</i> by george caffentzis	31
cover montages by daniel marcus	

six pictures of our insolvency

by daniel marcus

1.



Federal Stafford Loan Exit Interview Financial Aid Office

Name: _____ Phone: _____
 Address: _____ Social Security #: _____
 City: _____ Driver Lic. #/State: _____
 State/Zip: _____ Permanent Email: _____

Read this section carefully!

Initial _____ I understand the following about my Federal Stafford Loans:

_____ 1. This is a loan **I must repay** with all accrued interest and deducted fees.
 _____ 2. I must repay this loan within 10 years unless my loans are consolidated.
 _____ 3. I may prepay all or part of this loan without penalty.
 _____ 4. The minimum monthly repayment is \$50, but may be more depending on the total amount borrowed.
 _____ 5. Federal subsidized and unsubsidized Stafford loans receive a six month grace period prior to repayment. The grace period begins the day after I graduate, withdraw from school, or drop below half-time status. During the grace period, the federal government is responsible for paying the interest on the subsidized loan. Any unpaid interest will be capitalized and increase the principal balance of the loan(s).
 _____ 6. I must promptly notify my lender/loan servicer of a change in name, Social Security number, address, telephone number, or email address.
 _____ 7. The current holder of my loan is _____. My guarantee agency is: **AES/Pheaa**. I will be notified, in writing, if any of my loans are transferred to another holder. I must direct all future correspondence to that lender.
 _____ 8. There are conditions under which I may apply for a deferment or forbearance of my loan by contacting the holder of my loan.
 _____ 9. If my loan(s) becomes 270 days delinquent, the loans will be declared in default. The entire unpaid balance and Any accrued collection fees on the applicable loan(s) will become immediately due and payable.
The consequences of default may include any or all of the following:
 A) Damage to credit rating for up to 7 years.
 B) Garnishment of my wages and federal/state income tax refunds.
 C) I will be ineligible to receive any additional federal or state financial funds at any institution.
 D) I will receive calls from bill collectors and will still have to pay back my loan. It is not worth it!
 E) Legal action against me, including assessment of collection charges and attorney fees.
 F) Loss of professional license.
 G) Loss of deferment eligibility.
 _____ 10. I understand that **I must repay** my loan even if I do not complete my education, if I am not satisfied with my education, or if I can't find employment. I have read this form and understand my responsibilities.

Closest Relative: _____ **Your Employer:** _____
 Address: _____ Address: _____
 City/State/Zip: _____ City/State/Zip: _____
 Phone: _____ Phone: _____

Personal Reference (not living with you):
 Name: _____ Relationship to you: _____
 Address: _____ Home Phone: _____
 City/State/Zip: _____ Email (optional): _____

Student Signature: _____ **Date:** _____

Financial Aid Officer: _____ **Date:** _____
White - Lender Copy Yellow - School Copy Pink - Student Copy

Instituted by President Johnson as part of the Higher Education Act of 1965, the federally subsidized student loan program was renamed in honor of Senator Robert Stafford in 1988. Each recipient of a Stafford Loan is required to complete an exit interview upon graduating or departing early from a degree program. As of July 1st, 2012, the government will no longer offer subsidized loans for graduate education.

insolvent futures / bonds of struggle

by amanda armstrong

Throughout the early 1970s, workers at US auto plants suffered speedup, forced overtime, a spike in racist harassment, and layoffs. Like students and workers elsewhere at the time, they responded with a string of wildcat strikes. In some, they walked out of factories for days at a time. In others, they locked themselves within plants' interior cages, which supporters then blockaded. None of these actions were sanctioned by the autoworkers' union, the UAW. Rather, the union sent men to dissolve the strikes like clockwork.

This history of layoffs and wildcats is our present, and not simply because now and then seem to mirror one another. Rather, the austerity measures we resist today are direct reverberations of the speedups and shutdowns that struck the 1970s; they flow from the same crisis of profitability, although this time all the debt and deferral that allowed capital to inflate itself as it passed from there to here has reached its limit. The future has disappeared, shielded by a wall of debt.

Our political lives are now shadowed by debt: bailouts trail subprime loans; a reactionary party has emerged to demand sovereign deficits be traded for workers' further immiseration; student loans are bundled into a speculative bubble threatened by mass default; and the force of uprisings in Greece can be measured by fluctuations in the State's bond rating. The case of Greece is particularly illustrative. Over the past year, a near-revolutionary force has taken shape through a series of general strikes; and yet, the State has carried on with its austerity measures, shifting sovereign debt burdens to the dispossessed majority. Surrounded by an ungovernable mass of workers, students, and the unemployed, parliamentary representatives still refused to repudiate Greece's creditors, even as these same creditors admitted their prescriptions were a recipe for stagnation and further unemployment. Everywhere capital is bankrupt, yet still we owe it our lives.

Each of us individually, and some more than others, are facing a future of indebtedness without employment. While debt conjures phantom labor—work that we’re expected to perform in the future—joblessness turns this spectral labor into an unshakeable nightmare. Underemployed and broke, unable to make our monthly payments, we are pursued by loan agencies and government agents. And they have the power to seize bank accounts, to garnish wages, or to repossess property. As individual carriers of unpayable debt, we face futures strung from loss to loss. And the latest round of austerity measures—resulting in tuition hikes, child care closures, and the evaporation of pensions—would appear only to lock in this bad infinity of debt, default, bankruptcy, and insolvency.

--

Generally speaking, debt is a collective phenomenon suffered individually. Our monthly loan statements are like nineteenth century serialized novels—mass reading material, anticipated by all but read alone. When experienced in this way, by dispersed individuals, debt appears to be merely a fact of life; a kind of required reading material. It can be nearly impossible then to imagine how our personalized loan statements or individual defaults could be fought in a way that forges bonds between us. How loans could produce more than isolating shame, anxiety, and loss. Or how, in a word, we could collectivize struggles against indebtedness and unemployment, and in doing so open the horizon of our futures.

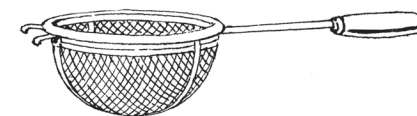
--

In recent years, home foreclosures have overwhelmingly been suffered silently and in isolation; however, a few notable exceptions to this pattern provide clues as to how we might collectively counter mass indebtedness and default. Recently, an 82 year-old woman in Brooklyn was able to push back an imminent eviction, in part because hundreds of her neighbors surrounded her property, showing cops and collections agents that they would need severe force to evict Mary Lee Ward. This kind of collective, direct action against foreclosures, while taken only infrequently today, constituted a ubiquitous working class tactic during the depression of the 1930s, as did factory occupations, various forms of mutual aid, sit down strikes, and the direct appropriation of goods. We’ll need to employ such tactics in order to counter the economic immiseration that will follow from

austerity measures and looming defaults. But blockades and mutual aid will become effective in our moment only if they set off and/or emerge from a wider political rupture—a break that reverses and radically expands the coordinates of our lives, allowing us to sustain ourselves and each other in the midst of and through shared struggle. Such a rupture will protect those who resist from becoming isolated and fenced in by police powers.

While we can’t know how and when our political lives will open onto something new, there is some reason to think it could begin on our campuses—with student strikes, occupations, and blockades—as occurred in Chile this summer and France in ‘68. Students are already suffering the effects of the latest speculative bubble in the form of ballooning loan debt and predatory, for-profit education. We’re also looking out on a wasteland of low-wage jobs, exploitative adjunct work, unemployment, and bankruptcy.

Our universities are preparing us for isolated and immiserated futures. But right now, we’re living and working on our campuses, together. And we have other plans.



2.



Picture of two ducks (mallards) found while searching for images related to Stafford loans. Below the photo was a short blog post written by Julio Trujillo exhorting would-be students to take out as many loans as possible:

«A student loan is a great idea if you do it right. If one is good, more are even better. With the help of the student consolidation loan or the direct loan consolidation (if you have federal loans made) programs you will be the one that wins from the situation. Good luck!»

Julio Trujillo is almost certainly a made-up name; the website where I found his article, educationtranslation.org, directs viewers to for-profit online education websites—institutions commonly known as «diploma mills.»

Mallards range across temperate North America, Europe, Asia, parts of Africa and Australia, and are currently considered an invasive species in New Zealand.

bad education by malcolm harris

The Project On Student Debt estimates that the average college senior in 2009 graduated with \$24,000 in outstanding loans. Last August, student loans surpassed credit cards as the nation's single largest source of debt, edging ever closer to \$1 trillion. Yet for all the moralizing about American consumer debt by both parties, no one dares call higher education a bad investment. The nearly axiomatic good of a university degree in American society has allowed a higher education bubble to expand to the point of bursting.

Since 1978, the price of tuition at US colleges has increased over 900 percent, 650 points above inflation. To put that number in perspective, housing prices, the bubble that nearly burst the US economy, then the global one, increased only fifty points above the Consumer Price Index during those years. But while college applicants' faith in the value of higher education has only increased, employers' has declined. According to Richard Rothstein at The Economic Policy Institute, wages for college-educated workers outside of the inflated finance industry have stagnated or diminished. Unemployment has hit recent graduates especially hard, nearly doubling in the post-2007 recession. The result is that the most indebted generation in history is without the dependable jobs it needs to escape debt.

What kind of incentives motivate lenders to continue awarding six-figure sums to teenagers facing both the worst youth unemployment rate in decades and an increasingly competitive global workforce?

During the expansion of the housing bubble, lenders felt protected because they could repackage risky loans as mortgage-backed securities, which sold briskly to a pious market that believed housing prices could only increase. By combining slices of regionally diverse loans and theoretically spreading the risk of default, lenders were able to convince independent rating

agencies that the resulting financial products were safe bets. They weren't. But since this wouldn't be America if you couldn't monetize your children's futures, the education sector still has its equivalent: the Student Loan Asset-Backed Security (or, as they're known in the industry, SLABS).

SLABS were invented by then-semi-public Sallie Mae in the early '90s, and their trading grew as part of the larger asset-backed security wave that peaked in 2007. In 1990, there were \$75.6 million of these securities in circulation; at their apex, the total stood at \$2.67 trillion. The number of SLABS traded on the market grew from \$200,000 in 1991 to near \$250 billion by the fourth quarter of 2010. But while trading in securities backed by credit cards, auto loans, and home equity is down 50 percent or more across the board, SLABS have not suffered the same sort of drop. SLABS are still considered safe investments—the kind financial advisors market to pension funds and the elderly.

With the secondary market in such good shape, primary lenders have been eager to help students with out-of-control costs. In addition to the knowledge that they can move these loans off their balance sheets quickly, they have had another reason not to worry: federal guarantees. Under the just-ended Federal Family Education Loan Program (FFELP), the US Treasury backed private loans to college students. This meant that even if the secondary market collapsed and there were an anomalous wave of defaults, the federal government had already built a lender bailout into the law. And if that weren't enough, in May 2008 President Bush signed the Ensuring Continued Access to Student Loans Act, which authorized the Department of Education to purchase FFELP loans outright if secondary demand dipped. In 2010, as a cost-offset attached to health reform legislation, President Obama ended the FFELP, but not before it had grown to a \$60 billion-a-year operation.

Even with the Treasury no longer acting as co-signer on private loans, the flow of SLABS won't end any time soon. What analysts at Barclays Capital wrote of the securities in 2006 still rings true: "For this sector, we expect sustainable growth in new issuance volume as the growth in education costs continues to outpace increases in family incomes, grants, and federal loans." The loans and costs are caught in the kind of dangerous loop that

occurs when lending becomes both profitable and seemingly risk-free: high and increasing college costs mean students need to take out more loans, more loans mean more securities lenders can package and sell, more selling means lenders can offer more loans with the capital they raise, which means colleges can continue to raise costs. The result is over \$800 billion in outstanding student debt, over 30 percent of it securitized, and the federal government directly or indirectly on the hook for almost all of it.

If this sounds familiar, it probably should, and the parallels with the pre-crisis housing market don't end there. The most predatory and cynical subprime lending has its analogue in for-profit colleges. Inequalities in US primary and secondary education previously meant that a large slice of the working class never got a chance to take on the large debts associated with four-year degree programs. For-profits like The University of Phoenix or Kaplan are the market's answer to this opportunity.

While the debt numbers for four-year programs look risky, for-profit two-year schools have apocalyptic figures: 96 percent of their students take on debt and within fifteen years 40 percent are in default.

While the debt numbers for four-year programs look risky, for-profit two-year schools have apocalyptic figures: 96 percent of their students take on debt and within fifteen years 40 percent are in default. A Government Accountability Office sting operation in which agents posed as applicants found all fifteen approached institutions engaged in deceptive practices and four in straight-up fraud. For-profits were found to have paid their admissions officers on commission, falsely claimed accreditation, underrepresented costs, and encouraged applicants to lie on federal financial aid forms. Far from the bargain they portray themselves to be on daytime television, for-profit degree programs were found to be more expensive than the non-profit alternatives nearly every time. These degrees are a tough sell, but

for-profits sell tough. They spend an unseemly amount of money on advertising, a fact that probably hasn't escaped the reader's notice.

But despite the attention the for-profit sector has attracted (including congressional hearings), as in the housing crisis it's hard to see where the bad apples stop and the barrel begins. For-profits have quickly tied themselves to traditional powers in education, politics, and media. Just a few examples: Richard C. Blum, University of California regent (and husband of California Sen. Dianne Feinstein), is also through his investment firm the majority stakeholder in two of the largest for-profit colleges. The Washington Post Co. owns Kaplan Higher Education, forcing the company's flagship paper to print a steady stream of embarrassing parenthetical disclosures in articles on the subject of for-profits. Industry leader University of Phoenix has even developed an extensive partnership with GOOD magazine, sponsoring an education editor. Thanks to these connections, billions more in advertising, and nearly \$9 million in combined lobbying and campaign contributions in 2010 alone, for-profits have become the fastest growing sector in American higher education.

If the comparative model is valid, then the lessons of the housing crash nag: What happens when the kids can't pay? The federal government only uses data on students who default within the first two years of repayment, but its numbers have the default rate increasing every year since 2005. Analyst accounts have only 40 percent of the total outstanding debt in active repayment, the majority being either in deferment or default. Next year, the Department of Education will calculate default rates based on numbers three years after the beginning of repayment rather than two. The projected results are staggering: recorded defaults for the class of 2008 will nearly double, from 7 to 13.8 percent. With fewer and fewer students having the income necessary to pay back loans (except by taking on more consumer debt), a massive default looks closer to inevitable.

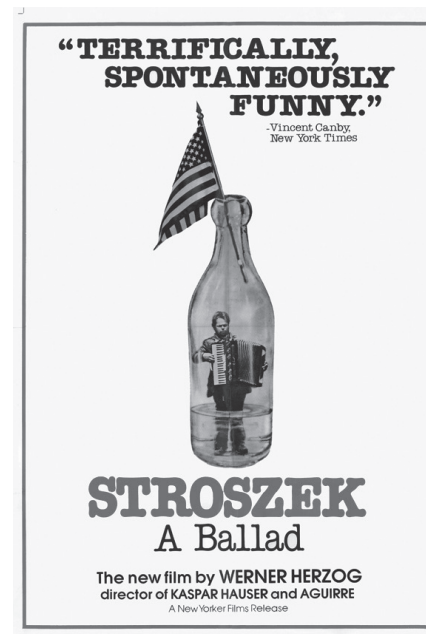
Unlike during the housing crisis, the government's response to a national wave of defaults that could pop the higher-ed bubble is already written into law. In the event of foreclosure on a government-backed loan, the holder submits a request to what's called a state guaranty agency, which

3.

Later, as I was watching Werner Herzog's film *Stroszek* on YouTube, this ad for ITT Educational Services, the nation's largest online diploma mill, appeared at the bottom of the video player:



The appearance of the ad was probably due to the fact that I'd been looking up ITT earlier that day: UC Regent Richard Blum owns a majority of ITT's shares through his firm Blum Capital Partners—evidence of a conflict of interest, according to journalist Peter Byrne. Still, it seems appropriate that YouTube's algorithm brought up the ITT ad during *Stroszek*; the plot of the film centers around debt, repayment, and the souring of the American dream in the late 1970s.



then submits a claim to the feds. The federal disbursement rate is tied to the guaranty agency's fiscal year default rate: for loans issued after October 1998, if the rate exceeds 5 percent, the disbursement drops to 85 percent of principal and interest accrued; if the rate exceeds 9 percent, the disbursement falls to 75 percent. But the guaranty agency rates are computed in such a way that they do not reflect the rate of default as students experience it; of all the guaranty agencies applying for federal reimbursement last year, none hit the 5 percent trigger rate.

With all of these protections in place, SLABS are a better investment than most housing-backed securities ever were. The advantage of a preemptive bailout is that it can make itself unnecessary: if investors know they're insulated from risk, there's less reason for them to get skittish if the securities dip, and a much lower chance of a speculative collapse. The worst-case scenario seems to involve the federal government paying for students to go to college, and aside from the enrichment of the parasitic private lenders and speculators, this might not look too bad if you believe in big government, free education, or even Keynesian fiscal stimulus. But until now, we have only examined one side of the exchange. When students agree to take out a loan, the fairness of the deal is premised on the value for the student of their borrowed dollars. If an 18-year-old takes out \$200,000 in loans, he or she better be not only getting the full value, but investing it well too.

Higher education seems an unlikely site for this kind of speculative bubble. While housing prices are based on what competing buyers are willing to pay, postsecondary education's price is supposedly linked to its costs (with the exception of the for-profits). But the rapid growth in tuition is mystifying in value terms; no one could argue convincingly the quality of instruction or the market value of a degree has increased ten-fold in the past four decades (though this hasn't stopped some from trying). So why would universities raise tuition so high so quickly? "Because they can" answers this question for home-sellers out to get the biggest return on their investments, or for-profits out to grab as much Pell Grant money as possible, but it seems an awfully cynical answer when it comes to nonprofit education.

First, where the money hasn't gone: instruction. As Marc Bousquet, a leading researcher into the changing structures of higher education, wrote in *How The University Works* (2008):

If you're enrolled in four college classes right now, you have a pretty good chance that one of the four will be taught by someone who has earned a doctorate and whose teaching, scholarship, and service to the profession has undergone the intensive peer scrutiny associated with the tenure system. In your other three classes, however, you are likely to be taught by someone who has started a degree but not finished it; was hired by a manager, not professional peers; may never publish in the field she is teaching; got into the pool of persons being considered for the job because she was willing to work for wages around the official poverty line (often under the delusion that she could 'work her way into' a tenurable position); and does not plan to be working at your institution three years from now.

This is not an improvement; fewer than forty years ago, when the explosive growth in tuition began, these proportions were reversed. Highly represented among the new precarious teachers are graduate students; with so much available debt, universities can force graduate student workers to scrape by on sub-minimum-wage, making them a great source of cheap instructional labor. Fewer tenure-track jobs mean that recent PhDs, overwhelmed with debt, have no choice but to accept insecure adjunct positions with wages kept down by the new crop of graduate student-workers. Rather than producing a better-trained, more professional teaching corps, increased tuition and debt have enabled the opposite.

If overfed teachers aren't the causes or beneficiaries of increased tuition (as they've been depicted of late), then perhaps it's worth looking up the food chain. As faculty jobs have become increasingly contingent and precarious, administration has become anything but. Formerly, administrators were more or less teachers with added responsibilities; nowadays, they function more like standard corporate managers—and they're paid like them too. Once a few entrepreneurial schools made this switch, market pressures compelled the rest to follow the high-revenue model, which leads directly

to high salaries for in-demand administrators. Even at nonprofit schools, top-level administrators and financial managers pull down six- and seven-figure salaries, more on par with their industry counterparts than with their fellow faculty members. And while the proportion of tenure-track teaching faculty has dwindled, the number of managers has skyrocketed in both relative and absolute terms. If current trends continue, the Department of Education estimates that by 2014 there will be more administrators than instructors at American four-year nonprofit colleges. A bigger administration also consumes a larger portion of available funds, so it's unsurprising that budget shares for instruction and student services have dipped over the past fifteen years.

“When you hire corporate managers, you get managed like a corporation, and the race for tuition dollars and grants from government and private partnerships has become the driving objective of the contemporary university administration.”

When you hire corporate managers, you get managed like a corporation, and the race for tuition dollars and grants from government and private partnerships has become the driving objective of the contemporary university administration. The goal for large state universities and elite private colleges alike has ceased to be (if it ever was) building well-educated citizens; now they hardly even bother to prepare students to assume their places among the ruling class. Instead we have, in Bousquet's words, “the entrepreneurial urges, vanity, and hobbyhorses of administrators: Digitize the curriculum! Build the best pool/golf course/stadium in the state! Bring more souls to God! Win the all-conference championship!” These expensive projects are all part of another cycle: corporate universities must be competitive in recruiting students who may become rich alumni, so they have to spend on attractive extras, which means they need more revenue, so they need more students paying higher tuition. For-profits aren't the only ones consumed with selling product. And if a humanities program can't demonstrate its economic utility to its institution (which can't afford to haul “dead weight”) and students (who understand the need

for marketable degrees), then it faces cuts, the neoliberal management technique par excellence. Students apparently have received the message loud and clear, as business has quickly become the nation's most popular major.

When President Obama spoke in the State of the Union of the need to send more Americans to college, it was in the context of economic competition with China, phrased as if we ought to produce graduates like steel. As the near-ubiquitous unpaid internship for credit (in which students pay tuition in order to work for free) replaces class time, the bourgeois trade school supplants the academy. Parents understandably worried about their children make sure they never forget about the importance of an attractive résumé. It was easier for students to believe a college education was priceless when it wasn't bought and sold from every angle.

If tuition has increased astronomically and the portion of money spent on instruction and student services has fallen, if the (at very least comparative) market value of a degree has dipped and most students can no longer afford to enjoy college as a period of intellectual adventure, then at least one more thing is clear: higher education, for-profit or not, has increasingly become a scam.

We know the consequences of default for lenders, investors, and their backers at the Treasury, but what of the defaulters? Homeowners who found themselves with negative equity (owing more on their houses than the houses were worth) could always walk away. Students aren't as lucky: graduates can't ditch their degrees, even if they borrowed more money than their accredited labor power can command on the market. Americans overwhelmed with normal consumer debt (like credit card debt) have the option of bankruptcy, and although it's an arduous and credit-score-killing process, not having ready access to thousands in pre-approved cash is not always such a bad thing. But students don't have that option either. Before 2005, students could use bankruptcy to escape education loans that weren't provided directly by the federal government, but the facetiously named “Bankruptcy Abuse Prevention and Consumer Protection Act” extended non-dischargeability to all education loans, even credit cards used to pay

school bills.

Today, student debt is an exceptionally punishing kind to have. Not only is it inescapable through bankruptcy, but student loans have no expiration date and collectors can garnish wages, social security payments, and even unemployment benefits. When a borrower defaults and the guaranty agency collects from the federal government, the agency gets a cut of whatever it's able to recover from then on (even though they have already been compensated for the losses), giving agencies a financial incentive to dog former students to the grave.

When the housing bubble collapsed, the results (relatively good for most investors, bad for the government, worse for homeowners) were predictable but not foreordained. With the student-loan bubble, the resolution is much the same, and it's decided in advance.

In addition to the billions colleges have spent on advertising, sports programs, campus aesthetics, and marketable luxuries, they've benefited from a public discourse that depicts higher education as an unmitigated social good. Since the Baby Boomers gave birth, the college degree has seemed a panacea for social ills, a metaphor for a special kind of deserved success. We still tell fairy tales about escapes from the ghetto to the classroom or the short path from graduation to lifelong satisfaction, not to mention America's collective college success story: The G.I. Bill. But these narratives are not inspiring true-life models, they're advertising copy, and they come complete with loan forms.

4.



Painting by Bartolomeo Manfredi, *Apollo and Marsyas*, ca. 1616-20. Oil on canvas. Marsyas, a satyr, challenged the god Apollo to a contest—predictably, Marsyas lost, and so Apollo flayed him for his hubris, punishing the satyr for challenging a deity.



a framework for student debt

by mark paschal

The purpose of this article is to provide a framework for understanding the meteoric rise of student loan debt over the last three decades. I will argue that this increase should be seen as part of a larger project of a bi-partisan neoliberal regime that has dominated the geopolitical landscape since the 1970s. Central to this movement has been the conversion of public wealth to private profit as a prop for dwindling profits and declining growth throughout the US and Europe. The backdrop for this is a US economy where narrow profit margins for manufacturing and traditional banking have forced capital to seek an acceptable return on investment in the debt of more and more Americans. Capital must return a profit and, increasingly, finds it can only return this profit in complex private equity/real estate deals financed by student and consumer debt as well as massive government subsidies. This path has culminated in the current duality of exorbitant profits and high levels of unemployment whose weight falls disproportionately on the young, augmented by the added burden of student loan debt.

The Post-WWII period saw an unprecedented surge of students entering into higher education. This surge was met both by expanded admissions at existing institutions and the creation of several new higher education facilities. A period of crisis and innovation, the mid-century saw experiments around the Free Skool movement and the re-emergence of the for-profit university. As Roger Geiger has noted, this was also a time of intense standardization efforts as education was made to bend to the needs of a growing informational sector job market that has used universities as candidate vetting sites (Geiger). Shifting costs of training and vetting job candidates to the university, and the massive expansion of the university that made it possible, would also introduce a new mechanism whereby market criteria would dictate funding for higher education. The most profound of these was the passage of the Higher Education Acts (HEA) of 1965 and 1972 as they, in essence, privatized post-secondary education.

Ostensibly a means to provide financial support for students who would otherwise be unable to attend college, the Acts should be seen as a means whereby market logic was ushered in to speed the processes of standardization and to discipline institutions to adopt a market logic. It was through HEA that federal grants, loans and other financial instruments were created to ‘empower’ students to attend college. Opposition to these legislative initiatives seemed elitist and backward looking: as the Pell Institute’s website notes, “[US] President Johnson articulated the need for more higher education opportunities for lower and middle income families, program assistance for small and less developed colleges, additional and improved library resources at higher education institutions, and utilization of college and university resources to help deal with national problems like poverty and community development” (The Pell Institute).

Helping the thousands of students who would normally be unable to attend university transform their economic futures should be an unqualified good, so how could it be that the nearly \$1 trillion dollars in US student loan debt stem from these acts? While the standardization of US higher education has been equally significant, it is Title IV of the 1965 Act that concerns us here. Through Title IV, undergraduate scholarships, low-cost loans and work-study were created as the means by which poor and working-class students might achieve an education. However, the original 1965 Act had a critical flaw for free-market ideologues: it gave financial control over aid to institutions of learning rather than the student-consumer¹. This crucial oversight was corrected in 1972 when aid was diverted to students; universities would now need to compete for federal financial aid and student loan dollars, quietly sinking non-profit institutions of education even deeper into market machinations - it is no coincidence that this period saw the leading financial institutions on both coasts move away from traditional and no longer profitable banking methods to the collection of fees and the introduction of credit cards.²

Federal student loans originate in the National Defense Education Act of 1958. These loans were, on the advice of noted neoliberal architect Milton Friedman, direct federal loans to students that by-passed institutional control: through this, Friedman intended to direct more federal dollars to private institutions as a means to discipline and

eventually privatize public education (Federal Education Budget Project). While a necessary first step, the design flaw in this program was that any direct federal loan showed up as a loss on government balance sheets even though the loan would no doubt be repaid in the future – with interest. To get around this, the government instead began guaranteeing loans to students by private financial houses: in essence privatizing an enormous chunk of federal largesse.³ With the dramatic decrease in federal funding to institutions themselves in favor of loans and grants – as mandated by HEA – the stage was set for institutional competition and the explosive growth of college tuition as the market would now determine education’s worth.

The larger point here is not that the federal government has been publicly funding private investment and banking firms – this comes as no surprise given the pattern of government intervention to shore up faltering markets over the last few years. It is, rather, that these federal acts have been the means by which neoliberal thinkers have locked educational institutions into market conditions. In order to receive federal dollars institutions have to compete for consumers (students) and the federal money they bring and, as the costs of academic capitalism continue to rise, they must continually raise tuition/fees to offset decreasing state funding.

As Bob Meister has elaborated over a series of articles, student fees at the University of California now exceed state funding of the UC.⁴ This has been part of a project by the UC Regents to funnel government funds, originating as student loans, Pell Grants and private savings, into private equity and real estate deals. Meister shows that the UC is allowed to pledge student fees, but not state funding, to back its myriad private equity deals and its bond ratings. That means that the UC, unable to use state funding to play a very volatile stock market, launders federal and state money, transforming student loans and grants into capital through which to finance enormous leveraged buyouts.⁵

How, though, could these actions be justified? Mostly, it seems, through dissimulation. Over the last two decades, students and parents have grown weary of hearing the company line that tuition/fees have had to be remorselessly increased to offset declines in state funding. The claim is that things have gotten really bad in this recent recession and students need to

pay for their education in order to value it correctly.⁶ In reality, the percentage of student tuition/fees that have gone to instruction and student services has been decreasing since the 1980s. As Slaughter and Rhoades write, “Academic capitalism involved turning away from students, ignoring them despite their tuition monies, which are undesignated and can be shifted for use in non-instructional areas... in the 1970s and 1980s. By contrast, academic capitalism in the new economy involves institutions turning toward

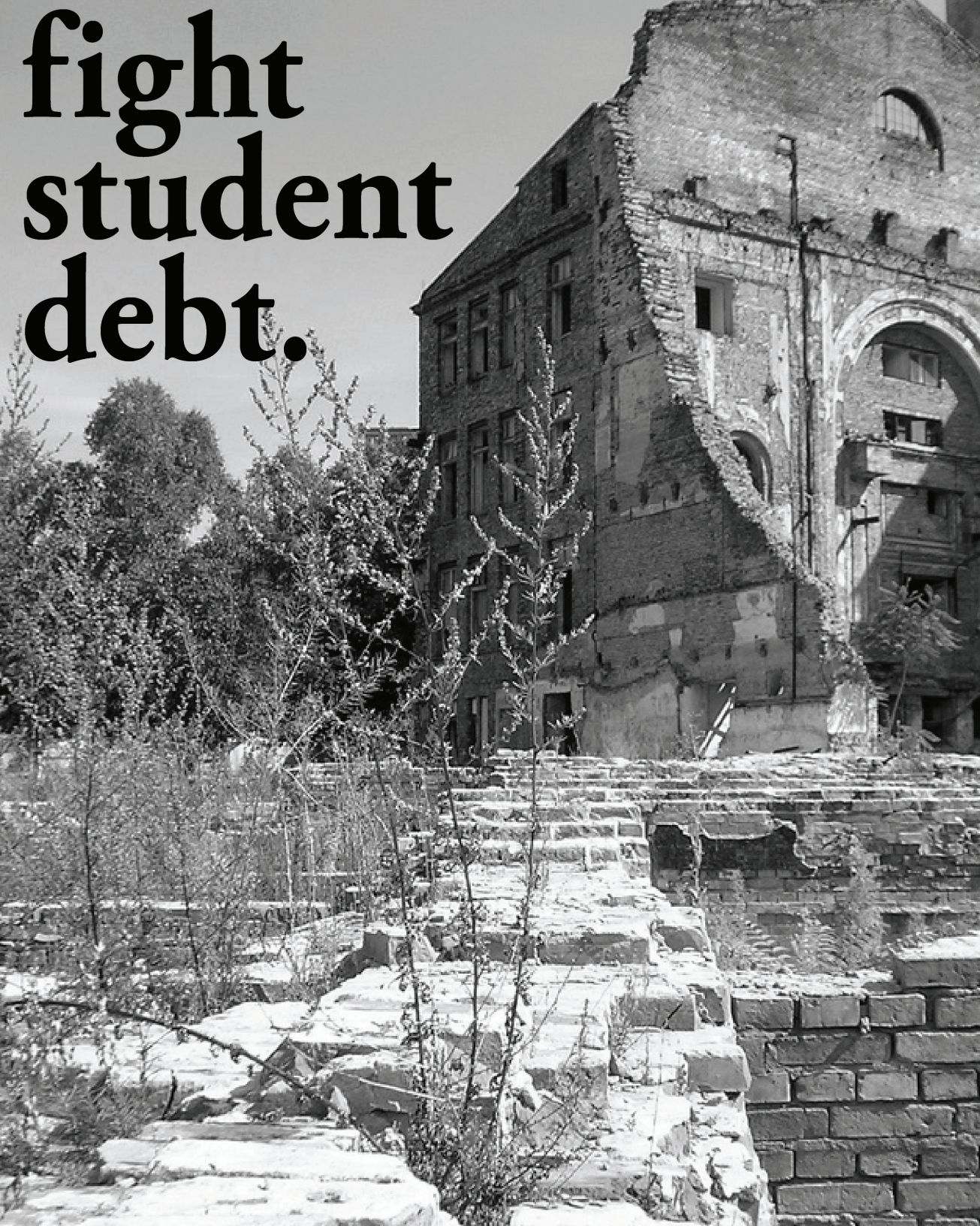
students as targets for the extraction of revenue, including but extending beyond tuition” (Slaughter and Rhoades, p. 279). When the student is a consumer the university becomes a capitalist enterprise; it is incumbent upon the capitalist to extract as much profit as possible from both its laborers (from

professors to the grounds department) and its consumers. Student loans have been the primary mechanism through which the student-consumer has enriched both university trustees and Wall Street.

With every tuition/fee increase, we are told that aid will rise to match for those who need it. This, claim our administrative benefactors, increases the load on those who can pay for it – one wonders that they are not accused of class warfare by the conservative press – and allows for more access to those who are most disadvantaged. However, this is only partly true. A University of California Diversity chart from 2010⁷ shows that over 30%

“When the student is a consumer the university becomes a capitalist enterprise; it is incumbent upon the capitalist to extract as much profit as possible from both its laborers (from professors to the grounds department) and its consumers. Student loans have been the primary mechanism through which the student-consumer has enriched both university trustees and Wall Street.”

fight student debt.



California's universities are no longer public institutions providing a generally-accessible social good. Instead, their owners -- Regents and shareholders alike -- manage them like businesses, treating students as consumers, federal grants as resources over which to compete, and buildings as capital investments.

In order to receive slightly better interest rates for new construction bonds, the UC Regents have promised debt rating agencies that they will increase student tuition indefinitely. And they've demonstrated this commitment: over the last five years, the Regents have raised fees by 67 percent, shutting out many working class Californians.

As tuition at the UCs and CSUs balloons, and as services at Community Colleges are cut, low income students and students of color are increasingly attending for-profit colleges. For-profits don't provide the educational experience they advertise, and the majority of their students withdraw after only a few semesters, holding thousands of dollars in debt and no degree. Former attendees of these schools endure half of all student loan defaults.

Our universities are being restructured to ensure that all of us owe more to the financial services industry -- an industry in which many UC and CSU Regents are heavily invested. Total student debt now exceeds 1 trillion dollars.

Indebtedness forms the basis of our identities as students, constricting our increasingly bleak futures. Its abolition constitutes the horizon of our struggle.

of UC undergrads pay for their education with Pell Grants (Merced and Riverside are above 40%). The rates for Latino/Chicano and African-American students receiving Pell Grants are over 50%, while only 34% of Asian students and 17% of White students have Pell Grants. Back in 2007/08, the average loan debt for students receiving federal aid was over \$24,500. Complicating the story that the increased fees/higher aid are beneficial to students are numbers showing that more Native American, African-American and Latino/Chicano students are unable to complete their education than White or Asian-American students. At the graduate and professional level, where loans are universally necessary, African-American students represent less than 2.5% of students while Chicano/Latino students make up only 7%. It should also be noted that loans for graduate students at the federal level will no longer be subsidized: that is, the government will no longer pay for the interest on these loans.

Further, the percentage of education costs that these underrepresented groups – as well as all other groups – have to pay using federal and private money continues to rise. Recall that every student that pays for their education with their own or their parents' money or other funding source – including UC initiated grants and scholarships - the UC can use all of that money to pledge on the bond market as well as use some of those funds to pay back the debt on past equity and real estate deals. For every student using federal or state funds to pay for college, the UC can do exactly the same. The difference is that, as more and more students have to take out loans and make use of Pell Grants and other scholarships, it is federal and state tax money that is being used on private bond and stock markets. It is, then, public money that UC students will be paying back for the rest of their lives that is being used to prop up the UC's bond rating and to engage in private equity/real estate deals that have profited several Regents, several Wall Street companies and several more Silicon Valley venture capital firms (Byrne). It is high-interest student and parent loans that the UC – and other institutions, for the UC is not alone in this – uses as collateral to get loans with much lower rates of interest.

As the job market numbers and wealth gap figures show though, market competition and increased fees have benefited neither Californians nor US tax payers in general. Educational policy is, then, part of a larger shift in

US policy that hews close to Milton Friedman's neoliberal economic policy that bankrupted several Latin American countries in the 1980s and now several European countries in the last three years. At UCSC, the libraries are closed on Saturday and several tenure track positions have remained unfilled – and are likely to never be filled. As disastrous as turning universities into academic marketplaces has been for the institutions of post-secondary education, it has been a nightmare for a growing number of students who have been unable to pay back their student loans and for uncounted others who have been scraping by just to maintain their payments.

Danger haunts all those who finance their education with loans: as the website FinAid.org concisely puts it, “You are responsible for repaying your student loans even if you do not graduate, have trouble finding a job after graduation, or just don't like your school” (FinAid.org). It is not possible to escape student loans through bankruptcy. They also note that $\frac{3}{4}$ of those who default on their loans do not finish school. Defaulting on loans most likely results in that loan being turned over to a collection agency; the former student having to pay all court costs for both parties; income garnishing even of Social Security checks as well as IRS refunds; a blight upon your credit record; and the loss of eligibility for deferments. Private student loans have shorter time-frames and are often much more punitive than federally backed loans – neither death or permanent disability, for instance, will discharge this debt (Kantrowitz, “Student Loan Defaults”).

In the year 2007-08, over 85% of graduating undergrads had taken out student loans. Mark Kantrowitz's article, “The Horrors of Defaulting on Education Debt”, claims that every single grad and professional school student that applied for federal aid will graduate with student loan debt and that, therefore, student loans have become necessary for college level education (Kantrowitz). Since the recession began in 2008, student loan default rates have climbed to over 7% - an increase that registered at public (6%), private (4%) and for-profit schools (11.6%). This data includes only numbers from 2009 – the set of data from 2010 should be out mid-September (US Department of Education).

So, while the Regents, banks, venture capital firms and private equity

managers have reaped tremendous profits from the liberation of academic institutions to ‘unfettered’ marketplace shenanigans, the effect on both institutions and individuals has been catastrophic. As markets continue to falter in Europe and the stock exchanges in the US fluctuate wildly, it will continue to cost more and more money to prop up the UC’s bond rating – lest it too fall to the extortionists at Standard & Poors and Moodys. As state funds are off limits for this, the UC will continue to ratchet up the price of attending an institution of higher education, driving students into deeper and more unsustainable debt and the institutions themselves into the degree-granting shells that thrive in the lower echelons of academic capitalism.

As it is, the business interests that lead nearly all universities and colleges are confronted with a situation in which they are thoroughly unaccountable to anyone while they use public institutions to appropriate public finances and what little money most of us have. So far, appeals to the Regents, Sacramento and DC have resulted in plenty of platitudes, but little in the way of reform. The question facing all those who have, or face the prospect of having, loans related to higher education, must echo that of the ancients: what is to be done? When even Moody’s warns that student loan debt is the next financial bubble, it is incumbent on those most affected to organize and chart courses of action; history teaches us that those who are most responsible for our plight are certainly plotting their survival.

Notes

1. In their seminal *Academic Capitalism and the New Economy*, Slaughter and Rhoades offer a devastating analysis of how this forced universities to enter into complicated marketing schemes in order to attract funding.
2. See Moira Johnson’s riveting history, *Roller Coaster: The Bank of American and the Future of American Banking*.
3. Under both Bush I and Clinton, there was much headway made against guaranteeing loans and instead switching back to direct loans. The 1994 Republican takeover of Congress curtailed these efforts, eliminating any requirement for colleges to engage in direct loans over guaranteed loans. The Department of Education was barred from even advertising or advocating for direct loans while the private lenders using guaranteed funds were under no such injunction. Both Bush II and Obama have made great strides in

eliminating the Federal Family Education Loan program – with Obama officially ending it in July of 2010.

4. Meister has written a series of articles on tuition that can be found here: http://www.cucfa.org/news/tuition_bonds.php
5. For a staggering account of the UC’s financial deals and the blatant cronyism on the part of UC Regents Blum, Wachter, and Lansing – among others – see a Spot.us investigative report from 2010: “Investors Club: How the UC Regents Spin Public Funds into Private Profit”, (<http://spot.us/pitches/337-investors-club-how-the-uc-regents-spin-public-funds-into-private-profit/updates/514-part-six-billion-dollar-babies-university-of-california-invests-53-million-in-two-diploma-mills-owned-by-a-regent>.)
6. Jerome Judson, in *Culture out of Anarchy*, has persuasively argued that business and corporate culture benefit far more from higher education than do students, their parents or even society in general. Part of the corporate argument for higher education throughout the latter half of the 20th century was that businesses no longer needed to train their employees as the university would become the informational sector’s training grounds.
7. “Diversity Annual Accountability Sub-Report”, 09/2010. <http://www.universityof-california.edu/diversity/documents/diversity-accountability-report-and-appendix-0910.pdf>. Pages 13-28. Advocates of the present systems will point to the large increase in the number of Latino/Chicano students attending the UC and a decline in the number of white students. While the purpose of the essay is not show that diversity is hurt by these processes, it should be pointed out that African-American students and Native American students are still massively underrepresented and that the increase in Latino/Chicano students at the expense of white students is a result more of those white students would have gone to the UC a decade ago realizing that the price difference for education at private schools is leveling off while the student services and educational opportunities are much better.

Bibliography

Byrne, Peter. “Investor’s Club: How the UC Regents Spin Public Funds into Private Profit,” Spot.us. September, 2010. <http://spot.us/pitches/337-investors-club-how-the-uc-regents-spin-public-funds-into-private-profit/story>.

Federal Education Budget Project. “Federal Student Loan Programs – History”, New America Foundation. May, 2011. <http://feb.p.newamerica.net/background-analysis/federal-student-loan-programs-history>

Geiger, Robert. “Ten Generations of Higher Education,” *American Higher*

Education in the Twenty-first Century. Ed. By Altbach, Philip G., Robert O. Berdahl, and Patricia J. Gumpert. The John Hopkins University Press, Baltimore: 1999.

Glickman, Jane. "Student Loan Default Rates Increase," US Department of Education. Ed.gov. September, 2010. <http://www.ed.gov/news/press-releases/student-loan-default-rates-increase-0>

Johnston, Moira. Roller Coaster: Bank of America and the Future of American Banking. Ticknor and Fields, New York, 1990.

Judson, Jerome. Culture out of Anarchy: The Reconstruction of American Higher Learning. Herder and Herder: New York, 1970.

Kantrowitz, Mark. "Defaulting on Student Loans," FinAid.org. <http://www.finaid.org/loans/default.phtml>.

Kantrowitz, Mark. "The Horrors of Defaulting on Education Debt," Fastweb.com, November, 2009. <http://www.fastweb.com/financial-aid/articles/1823-the-horrors-of-defaulting-on-education-debt>

National TRIO Clearinghouse and Council for Opportunity in Education. "Do You Know TRIO? The Early History of the Higher Education Act of 1965". The Pell Institute. February, 2003. http://www.pellinstitute.org/downloads/trio_clearinghouse-The%20Early%20History%20of%20the%20Higher%20Education%20Act%20of%201965.pdf

Slaughter, Sheila and Gary Rhoades. Academic Capitalism and the New Economy. The Johns Hopkins University Press: Baltimore, 2004.

UC Accountability Sub-Report on Diversity. "Diversity Annual Accountability Sub-Report", University of California. September, 2010. <http://www.universityofcalifornia.edu/diversity/documents/diversity-accountability-report-and-appendix-0910.pdf>

5.



German Playmobil Debtor's Prison (Schuldturm). The toy seems to have been modeled after the Nuremberg Schuldturm, a prison tower located on what was once the city's outer wall. Today the Nuremberg Schuldturm houses a restaurant.

the student loan debt abolition movement in the united states

by george caffentzis

Note: This article was written in the winter of 2010-11 and published in the Edu-factory website. The Afterword, "John Boehner's Revenge," was written in early September, 2011, for Reclamations.

Debt has had a crushing impact on the lives of those who must take student loans to finance their university education in the US. For tuition fees that have been so notoriously high in private universities now are rising in public universities so quickly they are far out-pacing inflation. Average loan debt per student in the US has been much higher than in Europe (with the exception of Sweden), though recent developments there would indicate that this gap may soon no longer exist (Usher).

We should also take into account the fraudulent way in which the loans have been administered by the banks and the vindictiveness with which those who have been unable to pay back have been pursued by collection agents. The most frustrating aspect of student loan debt being the legally toothless position the debtor is in, because government policy has relentlessly vested all the bargaining power in the hands of the creditors.

But however agonizing the situation of the indebted, the debt is growing. As of September 2010 total student loan debt amounted to \$850 billion, having just surpassed credit card debt by about \$20 billion for the first time. And it is rising at a catastrophic rate, e.g., by 25% in 2009 to meet the rising cost of tuition and other college fees. Even the Great Recession has not put an end to this financial explosion. On the contrary, while credit card debt has leveled off, student borrowing has continued to grow to cover the rising costs of living as well as the tuition fees, especially by unemployed workers who are "going back to school" to get a "better," or at least some, job in the future.

Logic, therefore, makes the remission and abolition of student loan debt a necessary demand for the university student movement, especially in an era when the need for "an educated work-force" has become an institutional axiom. However, student loan debt abolition (for instance) was not a focus or prominent issue in the student mobilization that peaked in the spring of 2010, especially in California. This constitutes an impasse for the movement, since in meeting after meeting it has become clear that refusing the blackmail of the debt and calling for abolition of tuition fees are pivotal to every form of struggle on our campuses. Students holding three jobs to repay (or avoid) loans or taking as many credits they can fit in their schedules to reduce the length and cost of schooling, can neither be active in campus protests against budget cuts and the commercialization of education nor can they engage in self-education and the creation of "knowledge commons."

Student loans are time bombs, constructed to detonate when the debtor is away from the campus and the collectivity college provides is left behind.

In this contribution to the Edu-factory network's discussion of debt I think beyond this impasse, asking why an organized debt abolition movement does not exist in the US and what needs to be done to assist its formation.

A first consideration is that the very conditions that would call for mass student protest against indebtedness have so far contributed to preempt this possibility. Even before the time to pay back is upon them, the debt has profound disciplining effect on students, taylorizing their studies and undermining the sociality / and politicization that has traditionally been one of the main benefits of college life (Read).

An even more important consideration is the fact that student loans are constructed so that students do not pay them back while they are students. Student loans are time bombs, constructed to detonate when the debtor is away from the campus and the collectivity college provides is left behind. Once we recognize this we can also see that there is a hard-fought struggle

around the student loan debt throughout the US, but (a) it operates in a non-communal, micro-social, serial way, mainly through default; (b) it is a struggle that involves subjects other than students, taking off precisely once students cease to be students, for only after they leave the campus do the debt collectors show up at their doorsteps. In other words, while the visible student movement has not so far made debt abolition its goal another movement with that goal has been growing to a large extent underground. One former student after another is rejecting loan payments through default, but they are not publicly announcing it. “For fiscal year 2008 the default rate increased to 7.2 percent, compared with 6.7 percent in 2007 and 5.2 percent in 2006” after a long period of decline from 1990, when it hit a peak of 22.4%, and 2003, when it hit a trough of 4.5%. (NB: These somewhat misleading statistics are calculated according to “cohort” years. For example, the 2007 cohort default rate is the proportion of federal loan borrowers who began loan repayments between October 2006 and September 2007, and who had defaulted on their loans by the end of September 2008. Therefore, they dramatically underestimate the true default rate) (Lederman).

As typical of “invisible” movements, statistics fail us in drawing its proportions. We have no estimate, for instance, of how many have been driven to suicide or how many have been forced to go into exile due to their student debts. Nor do we have a measure of the social impact of the growing de-legitimation of the student debt machine. We can only speculate about the consequences of disclosures concerning the collusion between the university administrations (especially in the case of “for profit” institutions) and the banks, now commonly acknowledged in the media as well as in congressional investigations. For sure, blogs and web-groups are forming to share experiences and voice anger about student loan companies like the biggest one, the Student Loan Marketing Association (nicknamed “Sallie Mae”). On Google alone, there are about 9,000 entries under the rubric “Sallie Mae Sucks,” and another 9,000 under “Fuck Sallie Mae.” Browsing through the chat rooms, with their harrowing stories of wrecked lives and mounting frustration against the operations of Sallie Mae, makes it clear that the potential for a debt abolition movement is high. So far, however, most attempts that have been made to give an organizational form to this anger have largely demanded the application of consumer

protection norms to the management of the debt.

A well-known example is StudentLoanJustice.org (SLJ.org) that systematically compiles testimonials on the subject, organized state-by-state, revealing in graphic detail the dread, disgust, and humiliation indebtedness generates. These testimonies also reveal why, despite their anger and despair, debtors hesitate to join in an open debt abolition movement. As the founder of SLJ.org, Alan Michael Collinge, points out that there are many obstacles to such course of action:

Even now, the barriers to inciting meaningful political action at the grassroots level are daunting. For one thing, facing large -- often insurmountable-- student debt is a highly personal matter. Many debtors are too embarrassed or humiliated even to tell their immediate family members and close friends about their situation, let alone join in a grassroots effort challenging the injustice of student lending laws.” (Collinge: 93)

The Kantian imperative that debts ought to be repaid cost what may is also weighing on the minds of the debtors despite the fact that the conditions imposed by student loans companies are often fraudulent and generally unfair. As mentioned, many of the developing student debtor organizations refuse to speak of “abolition.” What fuels their indignation is the arbitrariness and arrogance of the creditors’ management of the debt, not the debt itself. As the “content author” of the SallieMaeBeef.com web-site writes:

Allow me to make one thing clear. This site is not for people who chose not to make their payments. Choosing not to pay a debt is one’s own fault. Sallie Mae, like many companies, makes mistakes. I don’t fault them for that. What matters is how they resolve the problems. They did a terrible job resolving the mistakes they made with my account, and I found out that I was far from being the only person suffering because of THEIR mistakes. I also found that they allegedly prey on borrowers, trapping people into paying 2 to 3 times (sometimes significantly more) what they borrowed. There is simply no excuse for it. (www.SallieMaeBeef.com).

The very choice of the term “Beef” in the title of the organization suggests a complaint or a private dispute, not a demand or a public arraignment. SLJ.org, one of the most publicized student loan protest organizations, also rejects both individual or collective refusals to pay-- witness what its founder writes of one of SLJ.org’s members, Robert, whose \$35,000 debt became \$155,000 through the ploys of the financial company which held his debt : “like most SLJ.org members, Robert absolutely agrees that he should pay what he owes, but he simply cannot deal with a debt of this magnitude” (Collinge: 19).

In other words, prominent anti-student loan debtors organizations re-affirm the principle of the student debt. They believe that the safeguards and regulatory oversight that apply to other consumer loans –mortgages, auto loans, and credit card charges--should be applied to student loans as well, which presently is not the case because of the repeated governmental actions taken to block this option.

*In 1998 Congress made the student loan “the only type of loan in US history non-dischargeable in bankruptcy” (Collinge: 14). This means that presently even after filing for bankruptcy and being reduced to the status of a pauper, a debtor is still deemed responsible for payment on student loans, cost what it may, perhaps even facing a charge of fraud and imprisonment, if some politicians have their ways.

*In 1998 all statutes of limitations for the collection of student loan debt were eliminated.

*Since the beginning of the federal student loan program in 1965, the freedom to change lenders in order to find better terms for a loan has been denied.

Once the commodity approach to education is accepted, the political strategy adopted becomes predictable. According to Collinge, “it is imperative that standard consumer protections be returned to student loans” (Collinge: 20). This means, for a start, that student loans should be made dischargeable in bankruptcy, should have a statute of limitations

apply to them, and it should be possible to refinance them with other lenders. These are the demands put forward by SLJ.org since its formation in 2005, supported in varying degrees by a number of liberal politicians like Hillary Clinton, Ted Kennedy, Dick Durbin, and Congressmen George Miller and Danny Davis (see the Acknowledgements section of (Collinge: 151)).

Over the last five years this “consumer protection” strategy has produced significant legislative results addressing some of the grievances listed above. These include the passage of three major acts: The College Cost Reduction Act of 2007 (that halves the interest rate on federally subsidized loans and cuts lender subsidies and collection fees slightly), The Student Loan Sunshine Act of 2007 (that requires university officials to fully disclose any special arrangements between them and lending companies), and in 2010 The Student Aid and Fiscal Responsibility Act (SAFRA) (described below). For all these cautious legislative efforts however, SLJ.org and similar organizations have not achieved any of their major objectives. If we add the return to power, as Speaker of the House, of John Boehner, “by far the largest recipient of campaign contributions from student loan interests” (like Sallie Mae) and their most aggressive watchdog, we can conclude that the “consumer protection” approach to student debt has reached its limit. Indeed, when Boehner speaks of repealing the Health Care Bill (whose complete name is the “Health Care and Education Reconciliation Act”), he certainly alludes also to the education rider--SAFRA--hidden in it, as much as to the parts of the bill dealing with health care.

What then are the prospects for the struggle against student loan indebtedness?

Clearly a premise for the rise of an openly organized student loan debt abolition movement is that the organized campus student movement and the student loan debtor movement off the campuses meet. Indeed, they need each other and will be in crisis as long as they remain separated. On the one side, the student movement activists cannot call for the liberation of education without confronting the debt peonage waiting for them and their fellows, and on the other, the student loan debtors movement must

go beyond the limits of its stalemated “consumer protection” approach. The sense that a limit has been reached in this regard is indicated by the enormous interest generated in early 2009 by Robert Applebaum’s Keynesian proposal, “Cancel Student Loan Debt to Stimulate the Economy,” where he called for the government to forgive government student loans and pay back to banks and finance companies the outstanding private student loans (Applebaum).

The combination of an underground struggle involving millions of loan defaulters, intensified by mass unemployment and cuts in social spending, and the exodus of thousands of debtors fleeing the debt collectors hounding them, just as the campuses are becoming again places of mass, open agitation, has set the stage for a student loan debt abolition movement that Edu-factory network, for one, has been calling for.

It is the possibility of this encounter, I believe, that prompted Congress to pass SAFRA that was signed into law by President Obama on March 30, 2010. George Miller, the archetypal East San Francisco Bay liberal, surely had a sense of the political winds that were blowing when he introduced the bill into Congress in July 2009, just as the occupations at the UC campuses of Santa Cruz and Berkeley were being planned and a 32% tuition fee increase was being discussed by UC’s regents. But he was certainly looking as well at the rates of defaulting loans and what they expressed in political terms, for I could not otherwise understand why its buffering attempt would take the form of a student loan debt reduction bill, when the student movement on the campuses was not openly calling for it.

SAFRA is full of diversionary and ameliorating moves in the struggle between debtors and creditors that attempt to cushion the impact of the Crisis on student debtors.

(i) it replaces the private institutions with the federal government as the creditor, by halting loan-guarantees to the banks --a major source of interest revenue for the latter at no risk to themselves. The billions of dollars that will be “saved” would be used to increase scholarships for low-income students (Pell grants);

(ii) it provides for a reduction of debt payments, from 15% to 10% of discretionary income;

(iii) it provides for more debtor-friendly “forgiveness” conditions (viz., the debt would be “forgiven” for those working in the “private” sector--if payments were made on time--in 20 years instead of the previous 25 years, and in 10 years for those in “public service,” including teaching and the military).

These more favorable conditions are meant to forestall an increase in default rates--for if the “crisis” continues and unemployment rates remain high, the student debt machine is bound to collapse and will force a “bail out” of student loan debtors similar to Applebaum’s “Cancel Student Loan Debt to Stimulate the Economy” proposal. They are also meant to prevent an escalation of student activism on the campuses and above all to keep the two movements divided. Whether SAFRA will succeed in doing this is not something we can foresee at this stage. We can, however, see some steps that appear necessary to build an abolition movement besides the obvious one of bringing both movements together in a national student loan abolition convention.

Building a student loan debt abolition movement also requires that we reframe the question of the debt itself. A first step must be a political house cleaning to dispel the smell of sanctity and rationality surrounding debt repayment regardless of the conditions in which it has been contracted and the ability of the debtor to do so. Most important, however, from the viewpoint of building a movement is to redefine student loans and debts as involving wage and work issues that go to the heart of the power relation between workers and capital. Student debt does not arise from the sphere of consumption (it is not like a credit card loan or even a mortgage). To treat student loans as consumer loans (i.e., deferred payment in exchange for immediate consumption of a desired commodity) is to misrepresent their content, making invisible their class dimension and the potential allies in the struggle against them.

Student debt is a work issue in at least three ways:

i. Schoolwork is work; it is the source of an enormous amount of new knowledge, wealth and social creativity presumably benefiting “society” but in reality providing a source of capital accumulation. Thus, paying for education is, for students, paying twice, with their work and with the money they provide.

ii. A certificate, diploma, or degree of some sort is now being posed as indispensable condition for obtaining employment. Thus the decision to take on a debt cannot be treated as an individual choice similar to the choosing to buy a particular brand of soap. Paying for one’s education then is a toll imposed on workers in exchange for the possibility, not even the certainty, of employment. In this sense, it is a collective wage-cut.

iii. Student debt is a work-discipline issue because it represents a way of mortgaging many workers’ future, of deciding which jobs and wages they will seek and their ability to resist exploitation and/or to fight for better conditions (Williams).

The overarching goal of capital with respect to student loan debt is to shift the costs of socially necessary education to the workers themselves at a time when a world market for cognitive labor-power is forming and a tremendous competition is already developing between workers.

Employers’ refusal to massively invest in education in the US is not, in fact, a misreading of its class interests as theorists like Michael Hardt maintain (Hardt). It is the result of a clear-cut assessment of the new possibilities opened up by globalization, starting with the harvesting of educated brains as well as muscles from every part of the world. Capital’s strategic use of student loan debts to enforce a harsher work-discipline and to force workers to take on more of the cost of their reproduction makes the struggle for debt abolition one that necessarily affects all workers. Accepting student debt is accepting a class defeat, for it certainly marks a major set back with respect to the 1970s when education was still largely financed by the state.

Certainly university teachers (like myself and many readers) and our unions

and associations must take an active role in the abolition of student loan debt. For we are on the frontline, but in a compromised position, because we must “save the appearances” and pretend that for the university, cultural formation is of the essence, while we know that the student loan money is the source of much of the university’s budget and that the future debt peonage of many of our students “pays” our wages today (Federici). Just as, hopefully, most professors would object to be paid by a university whose revenue was the product of slave labor, so too must we object to having our students pay us at the cost of their post-graduation bondage.

Finally, debt in general is constructed to humiliate and isolate the debtor (Caffentzis). But demands for its abolition can be unifying, because it is everybody’s condition in the working class worldwide. Student loan debt, credit card debt, mortgage debt, medical debt: across the world, for decades now, every cut in people’s wages and entitlements has been made in the name of a “debt crisis” of one sort or another. Debt abolition, therefore, can be the ground of political re-composition among workers. If this is the path it takes with respect to student loan debt, the student movement in the US will experience a decisive turning point and opening out to many allies beyond the campus.

Bibliography

Applebaum, Robert (2009). Cancel Student Loan Debt to Stimulate the Economy. www.forgivestudentloandebt.com. Accessed December 10, 2010.

Caffentzis, George (2007). Workers Against Debt Slavery and Torture: An Ancient Tale with a Modern Moral. *UE Newspaper* (July).

Collinge, Alan Michael (2009). *The Student Loan Scam: The Most Oppressive Debt in U.S. History--and How We Can Fight Back*. Boston: Beacon Press.

Federici, Silvia (2010). Political Work with Women and as Women in the Present Conditions: Interview with Silvia Federici. Maya Gonzalez and

Caitlin Manning. Reclamations. Issue 3 (December). www.reclamations.org. Accessed on Dec. 10, 2010

Hardt, Michael (2010). US education and the crisis. Liberation (Dec. 2).

Lederman, Doug (2009). Economy Sinks, Default Rates Rise. Inside Higher Education. September 15. www.insidehigheredu.com/news. Accessed December 10, 2010.

Read, Jason (2009). University Experience: Neoliberalism Against the Commons. In Towards a Global Autonomous University: Cognitive Labor, The Production of Knowledge, and Exodus from the Education Factory. Edited by the Edu-factory Collective. New York: Autonomedia.

Usher, A. (2005). Global Debt Patterns: An International Comparison of Student Loan Burdens and Repayment Conditions. Toronto, ON: Educational Policy Institute.

Williams, Jeffrey (2009). The Pedagogy of Debt. In Towards a Global Autonomous University: Cognitive Labor, The Production of Knowledge, and Exodus from the Education Factory. Edited by the Edu-factory Collective. New York: Autonomedia.

Afterword

John Boehner's Revenge: The Debt Ceiling Counter-attack on the Student Movement

In the days leading up to the passing of the debt ceiling agreement in August 1, 2011 rumors were circulating in Washington and beyond that the whole government-subsidized student loan program was a focus of the budget hawks' annihilating gaze. In the end, the rumors did their job of terrorizing the creatures in the field, making it easier to tack on two fundamental changes in the federal government's student loan program at the end of the debt ceiling agreement:

First, graduate and professional students would have to begin paying interest on their loans while they are still studying instead of, as in the past, six months after graduation. Up until now, the Federal government has been paying the interest fees while the students were still in their graduate or professional school programs. With the new legislation, students can defer payment on the principal and interest charges until they graduate, but then they must pay for the accrued interest during their period of study on top of the principal and future interest charges. This change would lead to approximately a "savings" of \$18.1 billion over a decade.

Second, most of the "savings" (approximately \$17 billion) from the above change in the graduate and professional students' loan program will be directed to an increase in the number of Pell Grants which are meant for low-income undergraduate students.

I call these changes "John Boehner's Revenge." For, as the piece above indicates, Speaker of the House Boehner is "by far the largest recipient of

campaign contributions from student loan interests” (like Sallie Mae) and their most aggressive watchdog.’ He has made it his business to restart the process of privatizing the student loan industry after suffering a defeat in the passage of the rider to the Health Care bill--the Student Aid and Fiscal Responsibility Act (SAFRA, discussed above)-- which attacked the foundation of the private student loan sector by taking away the Federal government’s guarantees of student loans issued by private lenders. The student loan provisions in the debt ceiling agreement (to be found in Sections 501-504 of the agreement) provided a perfect place for Boehner and his allies to divide the student movement and to slowly pull the plug on the federal government’s dominance of the student loan world.

Sections 501-504 of the debt ceiling agreement clearly were intended to divide the undergraduate from graduate and professional school students. This was done by reducing funding going to graduate and professional students through eliminating the Federal government’s payment of interest charges while these students are studying (and presumably heading for high wage positions) and “transferring” these funds to undergraduates from low-income families in the form of Pell Grants. The rhetoric of monetary “transfer” is clearly a fiction, since a one dollar reduction in one part of the budget does not “create” another dollar in another part. Congress could just as well have increased the number of Pell Grants without changing graduate and professional school students’ loan conditions. But the pairing of the defunding of graduate and professional students and the increased funding of undergraduates was a clever psychological move that made it difficult for the supporters of student rights to protest the graduate student provision without appearing to be demanding a reduction in Pell Grants. On the contrary, given the logic of austerity, the increase in Pell Grants has been taken as a positive, even progressive development.

Another consequence of this “transfer of funds” from paying interest on student loans to providing outright grants is the reduction of the financial difference between government loans and private loans. For if graduate and professional school students are obliged to pay interest immediately on receiving a government loan, then one of the great advantages of this kind of loan over private ones is erased. Indeed, a third legislative change

(in Section 503 of the debt ceiling agreement), though small, is also indicative of the categorical shift we are witnessing. This provision eliminates the slight reduction in interest rate on a student loan (.25%), if the loan installments are paid on-time for one year. Again, though it might only lead to about a \$3 billion “savings” (or payments by debtors) over ten years, this change attacks the idea that Federal student loans of the future will remain quite different from the loan one gets from a private financial institution. It is as if John Boehner and his ilk are saying: “If the government is not going to guarantee student loans from banks and other private sources (a la SAFRA), then we are going to make government-backed student loans much less attractive.”

What has happened between the passage of SAFRA in March 30, 2010 and of the student loan provisions of the debt ceiling agreement in August 1, 2011 that made it possible for John Boehner and his allies to exact their “sweet revenge” at low political cost? Of course, there are many factors, but in the case of the student loan provisions in particular it seems quite clear. The inability of the student movement in the U.S. to continue the scale and pace of its mobilization between these two dates has been not only evident to the participants but also to our enemies. The John Boehners of the world are not blind to the movement’s difficulty in launching major initiatives or in sustaining them when they arise (as in Wisconsin this winter). They also have noted the divisions that have dogged the student movement from Los Angeles to New York (some of these divisions have been chronicled in Reclamations). These same John Boehners are also cognizant of the fact that the student loan debtors have not organized to become a major public force in this period, even though student loan debt is now the largest category of individual debt in the U.S.

The Boehners of the world are not stupid; they study our movements carefully. On the basis of their accumulated knowledge of our movements, it is not surprising then that the debt ceiling debate would be the occasion for divisive attacks on the student movement (and graduate and professional students in particular, who have often been in the forefront of many organizing campaigns) and on the government’s extended commitment to finance university studies in the future. What must be surprising will be the response.

6.



Project for a Debtor Detention Area at UC Berkeley, Memorial Glade. Designed by contemporary artist Dan Graham, the UC Berkeley detention area—the «debtor's dorm,» as its detractors have named it—would contain insolvent students inside a state-of-the-art mirrored glass structure, visible from the outside but opaque from within. Commissioned by UC Executive Vice President for Business Operations, Nathan Brostrom, the Debtor Detention Area will run as a pilot project at UC Berkeley starting spring semester 2012. Brostrom has touted the detention area as a countermeasure against tuition strikes planned by student organizers for the following academic year.

