

Let direct lending save federal cash

For the past year, the University has served as a testing ground for a new federal student loan system, designed to improve the old lending system by eliminating costly middle men from the process.

Instead of having students seek out loans from commercial banks and guarantee agencies, which are in turn guaranteed by the federal government, the new system has students borrowing money directly from the government itself.

By removing the banks from the equation, the lending process is more streamlined and substantially cheaper, both for the government — which no longer has to pay banks for students' defaulted loans — and students — who now can choose from a variety of repayment plans, none of which charges more than 8.25 percent in annual interest. It is about as close to a win-win situation as you're likely to find coming out of Washington. And there are still critics.

Recent congressional efforts to slow down the implementation of the new lending system — President Clinton wants it in all colleges by 1997-98 — would limit the number of direct loans to 40 percent of all new loans, as measured by volume. That would leave the remaining 60 percent of loans to be issued by banks, under the same old costly and inefficient system as before.

The rationale for this 40 percent cap is shaky. If the new system is cheaper than the old system, and easier, what possible reason could there be for blocking it?

The banking industry, obviously, can think of a whole lot of reasons. The White House predicts a \$12 billion governmental savings through direct lending, and most of that money will come out of banks' profit margins. It's little surprise, then, that banks are among the most vocal opponents of direct lending.

But opposition to the new program has come from some less predictable corners. Some student groups, including the Oregon Student Lobby, have voiced concern that the repayment plans that accompany the new loans actually cost students more money in the long run — especially if students choose some of the longer-term arrangements that can delay full repayment as long as 25 years.

That argument is true — a 20-year loan will always cost more in interest than an equally large 10-year loan — but it is not enough to justify opposition to the program. So long as students are fully informed about the economic implications of each repayment option, then the new system still beats the old one. The lobby should concentrate its efforts on seeing that students are so informed, rather than simply describing the program as "robbery."

Direct lending should be allowed to expand to all U.S. campuses. Moneyed interests and fears aside, it's the best way to keep college costs down, without bankrupting the federal government.



■ OPINION

Rally against 'Contract' misses mark



PRIMO A. J. FONTANA

On March 29, a series of rallies was held on college campuses across the country. Naturally, the University took part in this activity, the so-called "National Day of Campus Action Against The 'Contract On America.'"

I attended our own version, which was under the leadership of the *Student Insurgent* and the Survival Center and what I saw was extremely disappointing.

Book burning (which I thought liberals were against), obscenities blared over the loud speaker, rabid accusations of CIA conspiracies in South America, mean-spirited attacks on Speaker of the House Newt Gingrich — in summation, a group of students who seemed to be protesting simply for protesting's sake.

This is worrisome due to the fact that this issue at hand should not be treated in such a frivolous manner. The "Contract With America" is dangerous.

For those of us who are opposed to it, however, we should not allow the debate to be extended toward the heart strings and paranoia of the far left. Fighting the contract should be logical and rational.

Although the supporters of last week's rally called the contract a mean spirited attack on fairness and decency, this is not true. It is a promotional gimmick where main interests, contrary to the rhetoric of the House Republicans, lie with large corporations and the wealthy.

The main problem with party-line liberal arguments, such as those which I heard last week, against the contract is that they are indictments against the GOP and conservatives as a whole.

This is wrong.

The fight should be against the policies, not the personalities, of Newt Gingrich, Dick Arme R-Tex and the rest of the House Republicans. Also, we must remember that not all right-winger support the contract.

Many Republican senators (and let's face it, the Senate is the true battleground), have fought the contract in some capacity.

Our own Mark Hatfield, chairman of the Senate Appropriations Committee, gained notoriety as the sole GOP vote of dissension on the balanced budget amendment, which led to its defeat. His partner, Bob Packwood, chairman of the Senate Finance Committee, recently said he would not support any new tax cuts until the deficit is reduced, which the House Republicans are trying to do this week.

Many leading conservative thinkers have also come out against the contract. Robert Bork, who if his nomination was not defeated would have been the most conservative man to ever sit on the Supreme Court, fought the balanced budget amendment because he felt that it was unconstitutional.

Herbert Stein, who was Richard Nixon's chief economic advisor, eloquently discussed the negative aspects of the contract in a recent issue of *The New Republic*.

The Concord Coalition, which is led by the conservative's conservative, former Sen. Warren Rudman R-N.H., dismissed the budgetary provisions of the contract as trickery meant to satisfy public opinion rather than solve the nation's problems.

Unlike Bork, Stein, Rudmann, Secretary of Labor Robert Reich and many other intellectuals, the arguments presented here last week were not based upon objective facts. They were mean, obnoxious, and the truth was skewed for the sake of argument.

This should seem strangely reminiscent, because it was almost exactly the type of debat-

ing which the House Republicans have used to bolster their contract in the first place.

Those of us who are against the contract should rise above the bickering which we supposedly despise. As a contrast to the new form of foaming-at-the-mouth political discourse, we should hold ourselves to the highest standards possible.

There is no need for us to yell and scream, for the facts are on our side.

For example, the balanced budget amendment, which Gingrich and his colleagues have given the catchy name, the "Fiscal Responsibility Act," really doesn't balance the budget at all.

Page 32 of the contract states that the amendment would "require that total outlays for any fiscal year do not exceed total receipts for that year." Simply put, the government cannot spend more than it takes in. Then, on the same page, the contract states that "the resolution defines receipts as all receipts except those derived from borrowing, and outlays as all outlays except principal payments on the debt."

Think about it. If you were balancing your own budget, and you had a problem borrowing too much money (as our government does) wouldn't your task be easier if you simply did not include the money which you ran up on your credit cards as income, and then excluded the principal payments as an expense?

This amendment is a joke, not a solution.

Instances such as this are widespread through the document, and this is what should be fought. No more screaming, no more misinterpretation. If the American people are given the facts which they deserve, in a manner which is in their interest, Republican and Democrat, conservative and liberal, they will all understand the negative implications of the "Contract With America."

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