

March 4, 2014

We interrupt our selections outlining the president's foreign policy disasters to select an item from Time Magazine on the crisis in student loans. A program the administration decided to nationalize in some of the 2,700 pages of the healthcare act. Why not?

There is hardly a thing in this country that government cannot make worse.

Chris Rong did everything right. A 23-year-old dentistry student in New York, Chris excelled at one of the country's top high schools, breezed through college, and is now studying dentistry at one of the best dental schools in the nation.

But it may be a long time before he sees any rewards. He's moved back home with his parents in Bayside, Queens—an hour-and-a-half commute each way to class at the New York University's College of Dentistry—and by the time he graduates in 2016, he'll face \$400,000 in student loans. "If the money weren't a problem I would live on my own," says Rong. "My debt is hanging over my mind. I'm taking that all on myself."

Rong isn't alone. Across the country, students are taking on increasingly large amounts of debt to pay for heftier education tuitions. Figures released last week by the Federal Reserve of New York show that aggregate student loans nationwide have continued to rise. At the end of 2003, American students and graduates owed just \$253 billion in aggregate debt; by the end of 2013, American students' debt had ballooned to a total of \$1.08 trillion, an increase of over 300%. In the past year alone, aggregate student debt grew 10%. By comparison, overall debt grew just 43% in the last decade and 1.6% over the past year.

According to a December study by the Institute for College Access & Success, seven out of 10 students in the class of 2012 graduated with student loans, and the average amount of debt among students who owed was \$29,400. There's no clear end in sight. "The total amount of student debt is growing basically at a constant rate," Wilbert van der Klaauw, an economist with the Federal Reserve Bank of New York tells TIME. "The inflow is much higher than the outflow, which is likely to continue in the future as reliance on student loans for college is expected to remain high."

Debt is painful for many students, and an increasing number of graduates are unable to pay back their loans on time. Delinquencies on student loans have risen dramatically over the past decade: 11.5 percent of graduates were at least 90 days late on paying back their loans at the end of 2013, compared with 6.2 percent delinquencies on student loans in 2003. Moreover, the Fed's figures on delinquencies hide more stark data: nearly half of all students with debt aren't currently in repayment thanks to deferments and forbearances and the fact that students are not expected to pay while they're in school, according to van der Klaauw. What that means is that for the graduates who are actually expected to pay their loans now, the delinquency rate is roughly double the 11.5% figure. ...

... Student debt doesn't just weigh heavily on graduates. Evidence is growing that student loans may be dragging down the overall economy, not just individuals. Think about it this way: if students have significant debts, it means they're less likely to spend money on other goods and services, and it also means they're less likely to take out a mortgage on a house. Consumer purchasing is the primary driver of the U.S. economy, and mortgages and auto loans play a huge role as well. There aren't any comprehensive, hard numbers yet on how much of a drag student debt may be on the economy, but "the associations definitely suggest that growing student debt is a drag on

consumption," says van der Klaauw. "This is still something we're discussing. There are a range of views on this. My personal view is that the increasing reliance on student loans for financing college education is going to be a drag on consumption for some time." ...

Andrew Malcolm brings us back to Ukraine.

... Of course, it would be ridiculous to suggest Obama's passivity toward Putin is connected to the American's overheard promise of post-election "flexibility" to Putin's predecessor back in 2012. So, we won't.

Here's how Col. Putin responded to Obama's words of warning: He sent more Russian troops into Crimea.

Then, to show how really serious he is, Obama dispatched Secy. of State John Kerry to Kiev to offer cheap symbolic support for the reformers attempting to organize a new, but bankrupt Ukraine government.

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Recently, Kerry announced that global warming is "perhaps the world's most fearsome weapon of mass destruction." Just so we -- and Russia -- know where this administration's true priorities lie.

The seeds of Obama's ongoing diplomatic embarrassments -- and dangers to this nation -- were sown in the Democrat's early months in his so-called Russian policy reset. ...

Likewise **Craig Pirrong** at Streetwise Professor who wants to know why the bien pensants are surprised by Putin's aggressive instincts and actions.

In 2007, in my 60th post on SWP, I wrote a post about Putin and the Euros, titled "[A Man in a Hurry](#)." If you look at Putin's aggression in Ukraine, and the utterly pusillanimous European response to this aggression, that post from more than 7 years ago is quite clearly prophetic, to the last jot and tittle.

The closing paragraph:

"I think that most Europeans, and those few Americans who seem to pay much attention to these issues, are nonplussed by Putin's audacity in large part because they are projecting their attitudes onto him. They cannot envision why someone would engage in such seemingly short sighted

actions. As a recent Newsweek story puts it, they wonder why Putin is risking severe “blowback.” However, their attitudes have evolved and developed in a completely different institutional, economic, and political environment than Russia’s. The Euro-American environment is much more conducive to taking the longer view than the unsettled (and unsettling) environment that characterizes Russia today. So, the Europeans—and Americans—should be ready for more “surprises” from Putin—which shouldn’t be surprises at all.”

My main question is why a blogger, and amateur student of Russian politics, could figure this out, but the State Department, the intelligence agencies, the national security community, the vast bulk of think tanks, and the editorial pages of every major US paper couldn’t. And why they haven’t been able to do so despite all that has happened since. Georgia. The castling move whereby Putin resumed the presidency. The unrelenting crackdown on civil society. It’s one thing to ignore reality when it’s lying around. It’s another to ignore it when it is hitting you in the goddam face. ...

Even the Washington Post's editors are gagging on the policies of the one they enabled saying his "foreign policy is based on fantasy."

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That’s a nice thought, and we all know what he means.

Time

[Student Loans Are Ruining Your Life. Now They’re Ruining the Economy, Too](#)

American students are well over \$1 trillion in debt, and it's starting to hurt everyone, economists say

by Sam Frizell

Chris Rong did everything right. A 23-year-old dentistry student in New York, Chris excelled at one of the country’s top high [schools](#), breezed through college, and is now studying dentistry at one of the best dental schools in the nation.

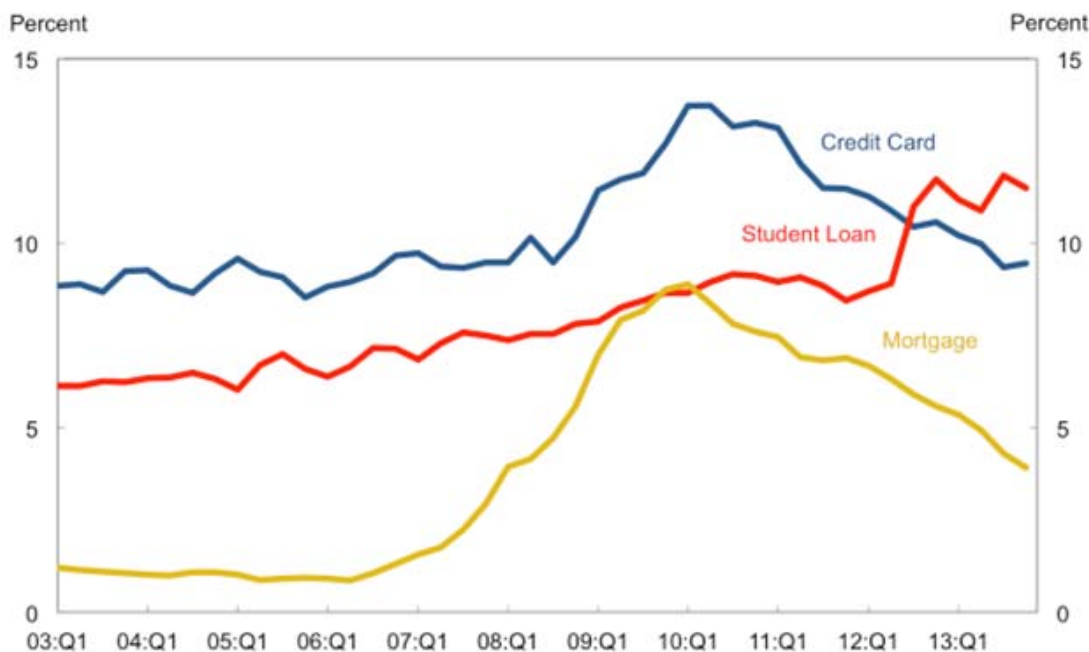
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Rong isn't alone. Across the country, students are taking on increasingly large amounts of debt to pay for heftier education tuitions. Figures released last week by the [Federal Reserve](#) of New York show that aggregate student loans nationwide have continued to rise. At the end of 2003, American students and graduates owed just \$253 billion in aggregate debt; by the end of 2013, American students' debt had ballooned to a total of \$1.08 trillion, an increase of over 300%. In the past year alone, aggregate [student debt](#) grew 10%. By comparison, overall debt grew just 43% in the last decade and 1.6% over the past year.

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Percent of Loan Balances Ninety Or More Days Delinquent



Source: FRBNY Consumer Credit Panel/Equifax

Why are student debts and delinquencies continuing to rise? One answer is that the cost of higher education is increasing. Between the 2000-2001 academic year and the 2010-2011 academic year, the annual cost of a degree at public and private 2- and 4-year institutions rose 70%, from an average of \$10,820 to \$18,497, according to data provided by the federal government's Institute of Education Sciences. Families' incomes aren't rising at the same rate, so students are forced to take out more loans.

On the plus side, more students than ever before are attending college, which is a certainly a good thing, as van der Klaauw points out, even if it is a contributing factor to overall debt increasing. A degree is usually worth the cost of college, even if the price tag is increasingly tough to bear. "It is always important to keep in mind that the average returns to a college degree remain high," van der Klaauw says.

But a more pernicious explanation of rising debts is that outstanding student loans tends to linger for years, as interest rates accumulate debt and students decide to pay off other loans first. Student debt piles on because it takes years to pay them off, and they can't afford to pay back such hefty loans until later in their careers. For example, some dentistry school graduates sometimes intentionally choose to default on their student loans in order to pay the staggeringly high costs of opening their own dental practice, Rong says.

For Rong, avoiding default on his \$400,000 student loans may involve some clever thinking once he graduates. Rong says he's entertained the idea of joining the military, or moving to a state with no income tax, like Texas, so he can pay off his debts more quickly. "I was just going to stay in New York after graduating, but now I realize there's so much on my plate," he explains. "When you take out loans, you're taking years off of what you want to do and where you really want to be."

Students across the country are trapped by their debts and often unable to take advantage of the freedom that a college degree should theoretically afford them. Julia Handel is the marketing manager for celebrity New York chef David Burke. The 2012 Ithaca College graduate is making over \$40,000 a year, which is better than many of her friends. But she had \$75,000 in loans, and it'll take her at least 15 years to pay off her debts. For now, Handel is officially on her parents' lease but crashing with her boyfriend, pinching pennies and paying back \$700 every month. She may have to give up her dream of going to culinary school, and at this point, she can definitely cross off the idea of renting her own apartment.

By the time Handel pays off her loans, she may be nearly 40. "Whenever I do anything, loans are always in the back of my mind," she says. "It controls what I do every day and what I spend my money on."

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Knowing the kind of debt he'll face once he graduates, Rong says he rarely goes to happy hours, and Handel says she's much less likely to get regular haircuts, schedule doctor prompt doctors' appointments, or buy the small things that add up—and, in aggregate, eventually prop up the economy and drive GDP growth. "It's the little things," she says. "Putting off a haircut for a long time, getting more makeup, prescriptions, or doctors appointments, the things that I don't even think cost money but end up adding up a lot."

It's also become harder and harder to qualify for a mortgage if you have student loans, says Andrew Haughwout, another economist with the New York Federal Reserve. Banks tightened their underwriting standards after recession and are now much less willing to grant house and auto loans at low-interest rates, particularly for graduates with more debt than ever before. That's slowing down the housing recovery and the construction markets.

In 2005, before the Great Recession, having student loans was a good indicator that a graduate also had a mortgage. Student loans usually indicated a higher level of education, a higher salary, and better credit-worthiness. Better-educated, higher-earning people were more likely to take have the capital and the wherewithal to take out a mortgage; but now, that dynamic has changed. Bigger debts mean college graduates are less likely to take out mortgages than they used to be, dampening economic growth. "Now that's kind of gone away, that relationship," Haughwout says. "Knowing that someone has student debt doesn't tell you very much at all about whether they're going to have a mortgage in spite of the fact that it probably still signals higher level of education."

Is college still worth it? Yes, without a doubt. But you're going to need a lot of patience and a lot of luck, class of 2014.

Investor's Business Daily

Obama vs Putin: How soft is this U.S. leader?

by Andrew Malcolm

Perhaps you've heard with echoes of Nazi Germany annexing its neighbors with no convincing Allied response, Russian troops have taken effective control of eastern Ukraine.

Here's how President Barack Obama responded:

He telephoned Russian President Vladimir Putin.

Obama expressed "deep concern" over Russia's moves, suggested Putin's troops leave and warned the occupation "would negatively impact Russia's standing in the international community."

Along with other Western allies, Obama said, *not* that they would boycott the big G-8 summit Putin is scheduled to grandly host this summer. But that the allies would stop *preparing* for the big G-8 summit Putin is scheduled to grandly host in Sochi, now that most of the hotels are completed. Stop preparing? Boy, that'll scare the KGB outta Putin.

Obama's also been busy concluding U.S. involvements abroad. Last week seeking more money for his domestic priorities, Obama announced drastic cuts in U.S. defense spending to take the Army back to pre-World War II levels and the Navy to World War I levels.

Additionally, he killed the Air Force's A-10 Warthog, the devastating ground-support plane designed to attack Russian tanks just like those moving through Crimea now. Not the sort of steps that convince any foreign powers (or allies) that Obama means business. Coincidentally, over the weekend North Korea tested more rockets.

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Recently, Kerry announced that global warming is "perhaps the world's most fearsome weapon of mass destruction." Just so we -- and Russia -- know where this administration's true priorities lie.



Obama caught whispering a promise of "flexibility" to Russian leader, 2012.

The seeds of Obama's ongoing diplomatic embarrassments -- and dangers to this nation -- were sown in the Democrat's early months in his so-called Russian policy reset.

Candidate Obama complained that U.S.-Russia relations had "drifted" during the late stages of George W. Bush's presidency. In reality, they had not drifted; Bush froze them, largely in reaction to Russia's annexation of two northern provinces in Georgia, an annexation that candidate Obama was days late denouncing.

In his first year, without informing partner Poles and Czechs, Obama unilaterally abandoned the U.S.'s planned missile defense shield in Eastern Europe as a freebie to Putin. Obama naively hoped the former Soviet spymaster would in return help curb Iran's nuclear weapons program. As any student of history knows, such automatic appeasement never works.

Since then, Putin has bolstered Syria's dictator Bashir al-Assad with arms and diplomacy, out-maneuvered Obama on a phony chemical weapons agreement there, begun improving relations with Egypt's ruling military, done nothing to curb Iran and given asylum and a platform to American traitor Edward Snowden, with the Russian ironically citing "free speech."

Today, Obama must endure yet another meeting with Israeli Prime Minister Benjamin Netanyahu of the sort he's been overheard to complain about. Why should the Israeli leader trust Obama's expressed support after such empty Ukraine words?

The Democrat would like to return ASAP to his jawboning campaign for a minimum-wage hike; he's set a Connecticut rally for Wednesday.

But Obama is certain to feel mounting bipartisan pressure from Congress for stronger retaliation on Russia for an invasion that one Obama spokesman cutely called an "uncontested arrival." Even Republicans who opposed Obama's proposed strike on Syria called his ongoing reaction "trembling inaction."

Florida Republican Sen. Marco Rubio suggested reconsidering the missile shield cancellation. Other ideas include boycotting the Sochi summit.

Even fellow Illinois Democrat, Dick Durbin, wants Russia kicked out of the G-8 altogether. One of these times Obama may surprise everyone with an uncharacteristically strong response.

For now, however, aides said Obama suggested to Putin that his troops in Crimea, wearing no uniform insignia to fool everybody, be replaced by international observers to protect the trumped-up interests of its Russian-speaking population. That's a non-starter, of course.

Some kind of economic sanctions are a possibility, though that requires a kind of international unanimity that produces watered-down results. And a stronger U.S. leadership style than Obama has ever demonstrated from behind. Plus, years of sanctions have not been effective changing Iran's mind.

Russia is reliant on foreign currency earnings from natural gas exports. But Europe is reliant on Russian natural gas.

What seems most likely now is that Russia keeps Crimea. While Europe and the U.S. get stuck with the bill, a fiscal sinkhole that is a would-be democratic Ukraine, where immediate needs are variously estimated between \$36 billion and \$75 billion.

Streetwise Professor

It Gives Me No Joy, But Yes: I Will Say I Told You So. Seven Damn Years Ago.

by Craig Pirrong

In 2007, in my 60th post on SWP, I wrote a post about Putin and the Euros, titled "[A Man in a Hurry](#)." If you look at Putin's aggression in Ukraine, and the utterly pusillanimous European response to this aggression, that post from more than 7 years ago is quite clearly prophetic, to the last jot and tittle.

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My main question is why a blogger, and amateur student of Russian politics, could figure this out, but the State Department, the intelligence agencies, the national security community, the vast bulk of think tanks, and the editorial pages of every major US paper couldn't. And why they haven't been able to do so despite all that has happened since. Georgia. The castling move whereby Putin resumed the presidency. The unrelenting crackdown on civil society. It's one thing to ignore reality when it's lying around. It's another to ignore it when it is hitting you in the goddam face.

I'm not claiming genius. Quite the contrary. This shouldn't have been that hard. I'm claiming common sense and a willingness to look objectively at reality.

But maybe that's the problem. All the king's horses and all the king's men were unable to do that for the reason I mentioned in that old post: a dominant mindset in which the *bien pensants* projected their own self-image onto Putin. A failure of a navel gazing elite. (We would be better served by a naval gazing elite, but since history ended that's apparently so *passé*.)

This, frankly, is why we are where we are today. Which is totally f*cked, by the way.

While I'm in this mood, I will also take credit for being among the first to advocate what is now becoming recognized as the only real way to hit Putin and the Russian elite where it hurts: [an aggressive investigation of all the dirty money these bastards have squirreled away around the world](#).

Sadly, although this is widely recommended, the Germans and the British are going to fight this tooth and nail. More on that later.

Postscript. Speaking of Putin as a Man in a Hurry, imagine my surprise to read [Matthew Kaminski's WSJ piece](#) last night in which he said that Crimea was Putin's appetizer, and characterized Putin as "a man in a hurry." Perhaps it is just coincidence, but more than 24 hours before I had [written a post](#) in which I had said that Crimea was Putin's appetizer, and that I had long said that Putin was a man in a hurry. Surely a coincidence, except for the fact that the only references I can find to Putin being a man in a hurry are things I wrote. Also probably a coincidence that 24 hours after I wrote [a post saying](#) that the EU had "midwived" a deal with Yanukovich and that the ultimate outcome would probably be him ruling over a "rump state" in eastern Ukraine, [Andrew Peek in the Fiscal Times](#) uses the exact same words to express the exact same ideas. It's not like "midwived" and "rump state" are everyday expressions.

Sorry. Perhaps this is self-indulgent. But this happens with some frequency. Too often to be purely coincidence. Citation/acknowledgement is the coin of the realm in academia, and as a result, using without attribution is tantamount to grand theft, which is why it gets under my skin. But I guess journalism and academia are quite different. In fact, I don't guess: I know. Journalists (and many bloggers) are the biggest lifters of the work of others that I know of.

Washington Post - Editors

President Obama's foreign policy is based on fantasy

FOR FIVE YEARS, President Obama has led a foreign policy based more on how he thinks the world should operate than on reality. It was [a world in which "the tide of war is receding"](#) and the United States could, without much risk, radically reduce the size of its armed forces. Other leaders, in this vision, would behave rationally and in the interest of their people and the world. Invasions, brute force, great-power games and shifting alliances — these were things of the past. Secretary of State John F. Kerry displayed this mindset on ABC's "This Week" Sunday when he said, of Russia's invasion of neighboring Ukraine, ["It's a 19th century act in the 21st century."](#)

That's a nice thought, and we all know what he means. A country's standing is no longer measured in throw-weight or battalions. The world is too interconnected to break into blocs. A small country that plugs into cyberspace can deliver more prosperity to its people (think Singapore or Estonia) than a giant with natural resources and standing armies.

Unfortunately, Russian President Vladimir Putin has not received the memo on 21st-century behavior. Neither has China's president, [Xi Jinping](#), who is engaging in gunboat diplomacy against Japan and the weaker nations of Southeast Asia. Syrian president [Bashar al-Assad](#) is waging a very 20th-century war against his own people, sending helicopters to drop exploding barrels full of screws, nails and other shrapnel onto apartment buildings where families cower in basements. These men will not be deterred by the disapproval of their peers, the weight of world opinion or even disinvestment by Silicon Valley companies. They are concerned primarily with maintaining their holds on power.

Mr. Obama is not responsible for their misbehavior. But he does, or could, play a leading role in structuring the costs and benefits they must consider before acting. The model for Mr. Putin's occupation of Crimea was his incursion into Georgia in 2008, when George W. Bush was president. Mr. Putin paid no price for that action; in fact, with parts of Georgia still under Russia's

control, he was permitted to host a Winter Olympics just around the corner. China has bullied the Philippines and unilaterally staked claims to wide swaths of international air space and sea lanes as it continues a rapid and technologically impressive military buildup. Arguably, it has paid a price in the nervousness of its neighbors, who are desperate for the United States to play a balancing role in the region. But none of those neighbors feel confident that the United States can be counted on. Since the Syrian dictator crossed Mr. Obama's red line with [a chemical weapons attack](#) that killed 1,400 civilians, the dictator's military and diplomatic position has steadily strengthened.

The urge to pull back — to concentrate on what Mr. Obama calls "[nation-building at home](#)" — is nothing new, as former ambassador [Stephen Sestanovich](#) recounts in his illuminating history of U.S. foreign policy, "[Maximalist](#)." There were similar retrenchments after the Korea and Vietnam wars and when the Soviet Union crumbled. But the United States discovered each time that the world became a more dangerous place without its leadership and that disorder in the world could threaten U.S. prosperity. Each period of retrenchment was followed by more active (though not always wiser) policy. Today Mr. Obama has plenty of company in his impulse, within both parties and as reflected by public opinion. But he's also in part responsible for the national mood: If a president doesn't make the case for global engagement, no one else effectively can.

The White House often responds by accusing critics of being warmongers who want American "boots on the ground" all over the world and have yet to learn the lessons of Iraq. So let's stipulate: We don't want U.S. troops in Syria, and we don't want U.S. troops in Crimea. A great power can become overextended, and if its economy falters, so will its ability to lead. None of this is simple.

But it's also true that, as long as some leaders play by what Mr. Kerry dismisses as 19th-century rules, the United States can't pretend that the only game is in another arena altogether. Military strength, trustworthiness as an ally, staying power in difficult corners of the world such as Afghanistan — these still matter, much as we might wish they did not. While the United States has been retrenching, the tide of democracy in the world, which once seemed inexorable, has been receding. In the long run, that's harmful to U.S. national security, too.

As Mr. Putin ponders whether to advance further — into eastern Ukraine, say — he will measure the seriousness of U.S. and allied actions, not their statements. China, pondering its next steps in the [East China Sea](#), will do the same. Sadly, that's the nature of the century we're living in.

ZDN 10/14



IF BARACK HAD GONE TO MIDDLE SCHOOL WITH VLADIMIR PUTIN

PRESIDENT T. ROOSEVELT: "SPEAK SOFTLY AND CARRY A BIG STICK"

MR. PUTIN,
PLEASE
BE NICE

PSST...
AIN'T IT
HUGE?

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NO TREAD ON ME

