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College is expensive and getting more so every year. This inflation, combined with growing enrollment among less well-off students, is driving student borrowing to tick up year after year. The current outstanding balance of $1.5 trillion is the highest level in history.

But it's important to remember that spending on higher education is, on average, worth it. The increase in earnings that comes from having a college degree does, on average, outweigh the upfront cost of enrollment. This makes debt a reasonable mechanism for helping students to pay for college. For those who do go on to see a positive return on their spending, the problem of affordability is an issue of liquidity, or being able to borrow from their future earnings, and not an issue of price.

This notion is borne out by the statistics. While the popular media has frequently told the stories of borrowers struggling with repayment – like the dental student who managed to amass one million dollars in student debt – the vast majority of borrowers have small balances, reasonable payments relative to their income and are eligible to take advantage of safety nets that will reduce or stop their payments in times of financial hardship [link]. The reality is that few borrowers have astronomical balances. As of 2015, just 5 percent of borrowers had outstanding balances in excess of $100,000 [link]. And many of those borrowers had completed graduate or professional programs that would lead to high-paying careers. While it is the responsibility of the media to cover the dire circumstances of the few, I'm afraid that this has distorted our collective impression of the magnitude of our college cost problem.

But knowing they are in the minority will provide little comfort to borrowers who find themselves underwater on their educational spending. Nor should the infrequency of this problem cause policy makers to turn a blind eye. Sadly, many students are spending on college only to end up worse-off financially then if they hadn't gone in the first place.

College is risky. And it is this risk, not the price of college, that is untenable. Higher education is perhaps the single most important mechanism for social mobility in our economy. If we wish to maintain a system of economy that relies heavily on a notion of individual responsibility, then it is necessary that our primary mechanism for providing opportunity is functioning. And to the extent that it sometimes fails, a robust safety net should be in place. A pathway to financial prosperity and a corresponding safety net are necessary to empower people to provide for themselves.

Students who borrow to pay for education after high school should have access to a safety net that ensures repayment affordability. And it should be simple in design and fool-proof to utilize. And the safety net should be so fundamental to our system of finance that *all* students, not just those who are intensely financially savvy, can factor this safety net into their enrollment and spending decisions. We need to eliminate the complex system of federal student lending and replace it with a single loan program. That program should collect loan repayment through an income-driven repayment plan which ties monthly payments to a borrower's income.

There will always be a tension between providing a safety net and diminishing the incentive for people to be self-sufficient. Reducing the incentive to work, on some margin, is a necessary evil. Moral hazard is inevitable, but smart program design can ensure that safety nets are as efficient as possible and do not create incentives for perverse behavior, like those that exist in the current system.

Changes to the system of federal student aid are also needed on the front-end. We need to make government spending work harder for students and taxpayers by moving dollars from hidden and inefficient channels to places they will do the most good.

We are currently providing massive subsidies to individuals who work in the public and non-profit sectors through the Public Service Loan Forgiveness program. This program, which is estimated to cost $24 billion over the next ten years [link], provides loan forgiveness to workers who have balances remaining on their student loans after ten years of repayment. Providing subsidies to these workers may be justifiable but doing so through the student lending program is wildly inefficient an inequitable. Congress should eliminate the Public Service Loan Forgiveness program and divert funds to a program that more explicitly subsidizes employment in undersubscribed professions that serve the public good.

Tax benefits for spending on higher education should also be eliminated, with funds diverted to a means tested grant program. Research indicates that subsidies delivered through the tax code are less effective than Pell grants at encouraging enrollment [link]. Tax credits (Lifetime Learning Credit and the American Learning Credit) come several months after tuition is due, far too late to help families who are struggling to make ends meet. And the benefit of being able to deduct student loan interest payments from taxable income comes years after a student finishes college. It's hard to imagine that their existence plays any role in how students and their families think about the affordability of college enrollment.

All government subsidies to higher education enrollment should be delivered through a single, means-tested grant program that delivers to the most aid to the least well-off students. The challenge of affordability faced by middle- and upper-income households stems, at least in part, from a preference for enrolling in higher price institutions and degree programs. Supporting this behavior should not come at the expense of further supporting lower income students who are struggling with expenses, even those beyond the cost of enrollment.

We also need to empower students to police the market for higher education themselves; to keep price in line with value. To do this, students need information on how institutions and programs of study are performing. They also need more clear information on costs. The introduction of the College Scorecard during the Obama administration was a tremendous step forward. We should continue these efforts by further refining the information that is available to students. Keeping in mind the need for privacy, the Department of Education should work with the Internal Revenue Service to develop a more complete database of graduate earnings so that the College Scorecard can provide more precise information on academic and financial success of former students by both institution and program of study.

Another source of downward pressure on price is competition from new, low-cost business models. Innovation in the higher education marketplace is currently limited by the lack of access to federal financial aid. It is challenging for start-ups to compete with traditional institutions which can grant their students access to both federal grants and subsidized student loans. We should continue the work started with the Experimental Sites Initiative to explore how best to extend federal student aid dollars to new, low-cost providers.

Congress should also support the emerging market for income-share agreements by providing a legal framework for these contracts. This will both protect borrowers from predatory actors but also provide the clarity that is necessary for the market to continue growing.

Lastly, I urge you to reject the growing demand to make college "free." Universality would be justified if there were fundamental barriers to a functioning marketplace for higher education. But no market failure exists that isn't rectifiable through subsidies, provision of credit and appropriate regulation. Embracing universality in post-secondary education would come at tremendous financial cost but would also rob us of the byproducts of a competitive marketplace - innovation, quality and adequacy of supply.

There is no reason why the marketplace for higher education in the United States can't work better for individuals and society. But for it to do so we need to: (1) empower consumers with information; (2) recognize that risk is a fundamental challenge that should be addressed through provisions of an effective and efficient safety net; and (3) deliver subsidies in a manner that is efficient and simple enough for students to navigate even when their attention is limited by working and caring for their families.