Comments on:

Protecting Students from Student Loan Debt: Can Parent’s College Saving Help?
By: Elliot, Lewis, Nam and Grinstein-Weiss

and

Debt, Jobs, or Housing: What’s Keeping Millennials at Home?
By: Bleemer, Brown, Lee, van der Klaauw

Alexander Monge-Naranjo
Federal Reserve Bank of St. Louis &
Washington University in St. Louis
Thinking about Parents and Education

• Elements of a Dynastic Model

• Individual’s Life-Cycle:
  – School, labor market, fertility, parental transfers.

• Preferences I: Own consumption
  – Risk aversion, patience, inter-temporal substitution.

• Preferences II: Intergenerational:
  – Altruistic? Paternalistic?

• Family Interactions:
  – Incentive problems and strategic interactions.

• Markets Government Institutions
Thinking about Parents and Education

Observable Implications:

• **Human Capital Investments**
  – What and how much to invest?
  – How to finance it?

• **Labor Market Risks**
  – Insurance from markets, government. Loan programs?
  – Intra-household insurance *(BBLK)*

• **Asset/Debt Accumulation**
  – Borrowing/lending on other assets
  – Student Loans *(ELNG)* & *(BBLK)*
  – Parental College Savings Accounts *(ELNG)*
  – Real Estate *(BBLK)*

• **Policies:**
  – Design: Incentives?
  – Financing?
  – General equilibrium?
Some Comments on Bleemer-Brown-Lee-v. d. Klaauw

• Housing vs. Higher education?
  – life-cycle vs. business cycle:

• Housing market problems: 2008--??
  – Over-investment and crisis.
  – Joint insurance parents/children?

• Other forms of debt different from SL?

• Policy counterfactuals?

• Econometric specification.
  – Beyond LPMs.
  – Selection?
Some Comments
Elliot-Lewis-Nam-Grinstein-Weiss

- The paper seems to be arguing that poor students are being taken for a ride
  - Protection from debt? Or from
    - Bad investments/misinformation.
    - Monopoly pricing and other practices?
    - Need to spell out the form of market imperfection.

- Econometric Results driven by unobserved selection?

- What is the policy proposal?
  - College savings: Too late for current cohorts.
  - More regulation? schooling choices?
  - Less regulation? discharging loans.
    - Incentives of schools and lenders.

- Focus on the provision of financing.
  - What about the design of repayments? Insurance!

- General equilibrium?
  - Schooling prices.
  - Returns to investments.

- Funding?
  - Whose taxes?