



DEBT, DISPLACEMENT, AND DISINVESTMENT: A QUIZ ON RACE

1. One of the main reasons given by immigrants for leaving is the collapse of the economy in home countries. How much debt do third world countries owe banks and governments in the “developed” world?

- a. \$100B b. \$603B c. \$1.4T
d. 2.7T

2. TRUE or FALSE. Most of these debts are owed to the International Monetary Fund (IMF) and the World Bank (WB).

3. The \$400 billion a year debt service (interest and principal payments) paid annually by “debtor nations” to huge U.S., European and Japanese banks amounts to _____% more than these nations spend on health and education combined.

- a. 10% a. 25% c. 50% d. 75%

4. Worldwide, school enrollment has dropped _____% in a decade, forcing 300 million children out of school and into the workforce.

- a. 10% b. 20% c. 50% d. trick question—
stayed the same.

5. TRUE or FALSE. As a result of debt-driven collapse of the medical system, life expectancy in Zimbabwe has been cut in half since 1990, from 60 to 33 years.

6. State and Federal governments in the United States pay _____ a year in debt servicing to banks, brokerage firms, investors, etc.

- a. \$100 million b. \$10 billion c. \$100 billion
d. more than \$200B

7. Individuals in the U.S. owe financial institutions _____, mostly in the form of mortgages and credit cards.

- a. \$100 billion b. \$500 billion c. \$1 trillion
d. “their lives”

8. Nationally, there are an average of 38 bank branches per 100,000 residents in white areas, but only _____ in communities of color.

- a. 12 b. 18 c. 22 d. 30

9. The concentration of “fringe banking” outlets (payday loans, check-cashing, pawn shops, rent-to-own centers) is likely to be higher in which community?

- a. Asian b. Black c. Latino d. Native American

10. The fringe banking industry processes about 280 million transactions per year, representing roughly \$_____ in revenue

- a. \$200 million b. \$750 million c. 10 billion
d. 50 billion

11. Here’s a scenario: You have a family emergency and need to send \$2,000 to your family in another country. You’re expecting \$1,000 personal check from your employer, and you need to borrow \$500 from a payday loan outlet, and \$500 from pawning your wedding ring. How much would you pay in fees and interest to meet family emergency?

- a. Check-cashing service will charge you \$_____ for your \$1,000 check.
b. Payday loan will charge you \$_____ for a two-week loan of \$500.
c. Pawnshop will charge you \$_____ monthly for \$500 loan.
d. Western Union will charge you \$_____ in fees and commissions.

Extra Credit

TRUE or FALSE. Wiping out the debt will return this giant flow of money to those whose labor has earned it, and pave the way for world economic recovery and reconstruction

FACILITATION SHEET: QUIZ

1. One of the main reasons given by immigrants for leaving is the collapse of the economy in home countries. How much debt do third world countries owe banks and governments in the “developed” world?

- a. \$100B b. \$603B c. \$1.4T
d. 2.7T

D. The debt in 1970 is (a), in 1980 is (b), in 1990 is (c), and in 2000 is (d).

2. *TRUE or FALSE.* Most of these debts are owed to the International Monetary Fund (IMF).

FALSE. Loans to the IMF, and other multilateral agencies, only account for 17% of all debt to the global South (as of FY 2003). Commercial banks account for 43%, and borrowing from financial markets by floating bonds is at 25% and rising rapidly. A significant portion of bond holders are pension funds from the U.S. and Europe.

3. The \$400 billion a year debt service (interest and principal payments) paid annually to huge U.S., European and Japanese banks amounts to _____% more than these debtor nations spend on health and education combined.

- a. 10% a. 25% c. 50% d. 75%

C. 50% This has devastated essential public services. Public expenditures have been replaced by private fees for schools and hospitals, freeing public money up for debt.

4. Worldwide, school enrollment has dropped _____% in a decade, forcing 300 million children out of school and into the workforce.

- a. 10% b. 20% c. 50%
d. trick question—stayed the same.

B. 20%.

5. *TRUE or FALSE.* As a result of debt-driven collapse of the medical system, life expectancy in Zimbabwe has been cut in half since 1990, from 60 to 33 years.

TRUE. Life expectancy dropped by 8 years in Russia, 14 in South Africa.

6. State and Federal governments in the United States pay _____ a year in debt servicing to banks, insurance companies, etc.

- a. \$100 million b. \$10 billion c. \$100 billion
d. more than \$200B

D. \$240 billion (2001). The Municipal Bond Market alone is worth \$1.9 trillion, and is one of the most lucrative businesses for investment bankers and brokerage firms. In order to service debt, cities cut infrastructure repairs, education, public services. For example, Detroit eliminated 1,000 public jobs, ended 24-hour bus services, cut firefighting, etc, and put vital assets as collateral (pension funds, utilities, etc.). At the end of 2004, Detroit almost \$1 billion in debt service, \$366 in interest alone. Pittsburgh uses 20% of budget to service its debt burden.

Writing off the federal debt would free up enough money to increase education budgets by 50%, create six million new jobs for teachers, nurses, etc.

7. Individuals in the U.S. owe financial institutions _____, mostly in the form of mortgages and credit cards.

- a. \$100 billion b. \$500 billion
c. \$1 trillion d. “their lives”

D. \$7 trillion dollars—and the debt service is over 1 trillion a year, nearly a fifth of all workers’ wages. Between 1989 and 2001, credit card debt in the U.S. almost tripled from \$238 billion to \$692 billion. Average Latino household now spends 20 cents for every dollar earned servicing debt.

8. Nationally, there are an average of 38 bank branches per 100,000 residents in white areas, but only _____ in communities of color.

- a. 12 b. 18 c. 22
d. 30

C. 22 Data is from 1995. In 1975, they were about equal. The number of branches in white communities tripled in 20 years compared to those in communities of color, where banks have closed branches.

9. The concentration of “fringe banking” outlets (payday loans, check-cashing, pawn shops, rent-to-own centers) is likely to be higher in which community?

- a. Asian b. Blackc. Latino d. Native American

C. Outlets are four times more likely to be clustered in a low-income Latino community than in a low-income Black community, according to a 2004 study of Urban Institute. More outlets per capita (and fewer banks) are found in census tracts that are poor and of color. Conventional banks outnumber fringe bankers in all but the very highest minority neighborhoods (where people of color constitute at least 75% of population). In essence, these “fringe banking” outlets are the financial institutions of record in communities of color, but are not held to any sort of “community reinvestment” standards.

10. *The fringe banking industry processes about 280 million transactions per year, representing roughly \$_____ in revenue.*

- a. \$200 million b. \$750 million c. 10 billion
d. 50 billion

None of the above. \$78 billion. Payday loan industry serves 15% of U.S. households. There were 200 payday loan centers in 1992; there were 22,000 in 2004. There were 5,000 pawnshops in 1985, and 14,000 in 2004.

- Financial banking through business loans come from largest banks: Wells Fargo, Bank of America, JP Morgan Chase, etc.

- Subprime mortgage loan fees and “risk-rate disparities” cost Americans \$9.1 billion per year, and the estimated cost of payday lending is \$3.4 billion a year. “Subprime” refers to borrowers with lower credit scores whose loans are priced higher to accommodate lender risk.

11. *Here’s a scenario: You have a family emergency and need to send \$2,000 to your family in another country. You’re expecting \$1,000 personal check from your employer, and*

you need to borrow \$500 from a payday loan outlet, and \$500 from pawning your wedding ring. How much would you pay in fees and interest(in the first month) to meet family emergency?

- d. Check-cashing service will charge you \$_____ for your \$1,000 check.
e. Payday loan will charge you \$_____ for a two-week loan of \$500.
f. Pawnshop will charge you \$_____ monthly for \$500 loan.
g. Western Union will charge you \$_____ in fees and commissions.

**a=\$150 (15%), b=\$85 (17% every 2 weeks), c=\$125 monthly (25%), d=\$22 to send, plus \$100 exchange rate spread (5%).
TOTAL=\$567.00**

Comparison if you have an account with Citibank and a credit card. If you withdraw \$1,000 from your account, and borrow \$1,000 on your credit card (at 15% APR), and send the remittance through the bank, you end up paying \$150/yr. (or about \$15/month), withdrawal fee of \$30 from your credit card, and remittance fee of \$5. TOTAL cost is \$50 in the first month.

- Who’s likely to go further in debt?
- Under this system, do people get out of debt?
- “credit-worthiness” is raced, whether as individuals or as countries.

Extra Credit

TRUE or FALSE. Wiping out the debt will return this giant flow of money to those whose labor has earned it, and pave the way for world economic recovery and reconstruction.

FALSE. Unless countries can develop equitably and justly, and the banks are highly-regulated or even “nationalized”, then inequity between and within countries, etc. still exist.