

Latino and African-American workers in the global economy

by Khalil Nieves

*“Most people extricate themselves from familiar environments only when their survival and well-being are in jeopardy. As of 2004, roughly one in every 35 people was an international migrant. If they all lived in the same place, they would constitute the world’s fifth largest country.” —Mike Davis, **No One Is Illegal: Fighting Racism and State Violence on the U.S.-Mexico Border** i>*

Currently there is tremendous debate about immigration. One of the most critical issues is the conflict between Latino immigrants and African-Americans as U.S. employers hire Latinos at lower wages. Examining this conflict can help us understand why Latinos are immigrating, and whether African-Americans and Latinos are allies or competitors in a global economy. This way we can address the conflict’s root issues and discuss how to create global labor solidarity.

My father is from Puerto Rico, and his family migrated back and forth to New York City twice during the Great Depression, before settling in New York. My mother’s father left Virginia to work in New York because of segregation in the South. I myself lived in Puerto Rico as a child for three years, and as an adult in Barbados, Trinidad, Dominica and St. Croix for 10 years. My wife’s family is from St. Lucia, and her family is in a constant state of migration among the states of England, Canada, Trinidad, St. Croix and the U.S. So my personal family history and life experience help me understand that creating a just economy requires that we understand how the global economy and the domestic economy are intertwined, and that global workers share common concerns and issues.

Because of this background, recently, when I was reading Planet of Slums by Mike Davis, I understood his argument that most immigration into the U.S. is forced immigration. Davis uses the landmark 2003 United Nations habitat study, “Challenge of the Slums,” that concludes, “The main single cause of increases in poverty and inequality during the 1980s and 1990s was the retreat of the state.”

The study documents how Latin American countries were given loans by the International Monetary Fund on the condition that the country implement structural adjustment programs (SAPs) that repeal certain labor worker protections and remove agricultural subsidies for local farmers. When these subsidies were removed, American farmers (who are subsidized by the U.S. government) sold their corn, for example, cheaper than local farmers could and this drove Latino farmers out of business. In addition, these SAPs “forced governments to cut spending and limit regulation; slash funding for hospitals and schools; privatize public utilities; lay off civil servants; eliminate agricultural subsidies; slash their tariffs and throw open their borders to foreign imports.”

“The so-called ‘Structural Adjustment Programs’ of the IMF — designed to help poor countries both pay down foreign debt and attract foreign investment — are the single most important factor in the dramatic exodus from the countryside and consequent spike in urban poverty in the developing world since the 1970s.” (See more from this Joshua Jelly-Schapiro review of **Planet of Slums** at www.motherjones.com/arts/books/2006/05/planet_of_slums.html.)

In many countries, including Latin America, such policies decimated rural economies while simultaneously hollowing out city infrastructure even as millions of rural people flooded into the cities. This hollowing out made people even more vulnerable to natural and ecological disasters because they occupied land subject to landslides and other disasters. Between 1980 and 1997 the percentage of Central Americans living in urban areas increased by 3 percent in Guatemala and 10 percent in Nicaragua and Honduras, according to the World Bank. By 1997, 46 percent of El Salvadorans lived in urban areas, 40 percent in Guatemala, and 44 percent in Honduras. Partly as a result of this urbanization, Hurricane Mitch killed 10,000 in 1997 in Honduras, Nicaragua, El Salvador and Guatemala.

When Hurricane Fifi hit Honduras in 1974, 63 percent of farmers had access to only 6 percent of arable land. People were forced onto steep hillsides, and Fifi killed as many as 10,000 Hondurans. In one town alone, 2,300 were killed when a dam created by landslides into a river gave way (Natural Hazards Review, August 2003). This synthesis of natural and social catastrophes only weakened these economies, and people headed north as global economic refugees.

Many of these Latin Americans fled to Los Angeles. They were not even considered when LA’s policymakers and leaders began discussions during Southern California’s most severe recession since 1938. While news headlines analyzed the damage to the aerospace industry, the city’s poor and immigrant neighborhoods were made invisible. Davis states, “In a year — where I lived downtown — a vacant hillside populated by a handful of homeless, middle-aged black males suddenly had 100, 150 young Latinos camped out. They had been day laborers or dishwashers six months before.”

This rapid influx of Latinos then combined with the detonating event of the Rodney King atrocity. The accumulated grievances of Black youth, in a community where employment meant selling crack cocaine, led to the King incident becoming a more complex, larger-scale event because of the widespread looting in Latino neighborhoods where people were hungry and living at the edge of homelessness.

A similar phenomenon of destroying the public infrastructure caused the disaster in New Orleans during Hurricane Katrina. People in New Orleans were ignored by the media until after Katrina struck. Then, because of the media coverage, most people in the U.S. began to see that systematic disinvestment in public infrastructure in New Orleans created this vulnerability to natural events. Later, people would learn that New Orleans had one of the highest unemployment rates in the U.S.

From this we can see that the same economic and political processes destroying Latin American countries destroy inner-city African-American neighborhoods. The IMF policies are called structural adjustment programs, and similar U.S. policies are called “Ending Welfare As We Know It.” But they are the same phenomenon.

Today in the U.S. the global economy is pitting African-Americans against Latinos. But we are not each other’s enemies. Rather, we need to understand the commonality of the issues destroying both groups. There are public policies that can prevent most of the resulting poverty.

At United for a Fair Economy, one part of our work is to go into Latino and African-American communities and develop a dialogue about the root causes of global labor exploitation. Once awareness is raised, we can then help develop coalitions that address our common problems. One way to do this is to emphasize that Latinos and African-Americans can work together. We can learn from history. For example, during the mid-1800s, Mexicans and African-Americans did work together. A recent article from Black Commentator discussed this collaboration: “By the year 1855, the estimates were that as many as 4,000 to 5,000 formerly enslaved Africans had escaped to Mexico. Slaveholders became so alarmed at this trend that they requested and received approximately one-fifth of the standing U.S. Army, which was deployed along the Texas-Mexico border in a vain effort to stem the flow of runaways.”

When we study this history, we realize that “defiant Mexicans stood their ground, refused to return runaways, and continued supporting slave uprisings and providing assistance to escaping slaves.”

In the words of Felix Haywood, a Texas slave whose experience is recalled in **The Slave Narratives of Texas**, “Sometimes someone would come along and try to get us to run up north and be free. We used to laugh at that. There was no reason to run up North. All we had to do was walk, but walk South, and we’d be free as soon as we crossed the Rio Grande.”

Currently there is deep distrust and antagonism between African-Americans and Latino global migrants in New Orleans. However, in reality, we share the same problem — the global economy. African-American and Mexican workers in Chicago in the past have also understood this connection and developed coalitions to fight this global economy. African-American and Mexican workers in New Orleans can do the same.

Reading Planet of Slums will help all of us to develop a more critical and broader perspective of global economics, and understand the relationship between racial divides in the global south and global north. As we do this we can make stronger correlations among the factors that cause worldwide poverty; we can devise policies that address poverty and disenfranchisement in the global South; and we can develop programs that lead to stable societies.

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Financial Quicksand: Payday lending sinks borrowers in debt with \$4.2 billion in predatory fees every year (Executive Summary)

By Uriah King, Leslie Parrish and Ozlem Tanik Center for Responsible Lending

America's working families pay billions of dollars in excessive fees every year, as payday lenders across the nation routinely flip small cash advances into long-term, high-cost loans with annual interest rates in the range of 400 percent.

Despite attempts to reform payday lending, now an industry exceeding \$28 billion a year, lenders still collect 90 percent of their revenue from borrowers who cannot pay off their loans when due, rather than from one-time users dealing with short-term financial emergencies.

Based on data collected by state regulators, financial records released by payday lenders, and assessments by third-party analysts, CRL has updated our 2003 quantification of the cost of predatory payday lending to American families. Breaking down the impact by state, we have also calculated the savings to families in states that have banned payday lending.

In our report, Financial Quicksand, we find that:

- Ninety percent (90 percent) of payday lending revenues are based on fees stripped from trapped borrowers, virtually unchanged from our 2003 findings. The typical payday borrower pays back \$793 for a \$325 loan.
- Predatory payday lending now costs American families \$4.2 billion per year in excessive fees.
- States that ban payday lending save their citizens an estimated \$1.4 billion in predatory payday lending fees every year.

Ninety percent (90 percent) of payday lending revenues are based on fees stripped from trapped borrowers

New information from data provided by state regulators, payday lenders' public filings, and assessments of third-party industry analysts confirms the payday lending industry's continued reliance on loan flipping.

	Loans to borrowers with 5 or more transactions per year	Loans to borrowers with 12 or more transactions per year
CRL 2003 findings	91%	62%
Washington State	90%	58%
Florida	89%	57%
Oklahoma	91%	66%
Colorado	Not Available	65%
2005 Average	90%	62%

The typical payday borrower pays back \$793 for a \$325 loan

Taking the interest on the average payday loan principal as reported by state regulators, and multiplying it by the average number of loan flips per year, we find that the typical borrower ends up paying back \$793 for a \$325 loan.

Average principal (from state regulator data):	\$325
Typical fee for \$325 loan:	\$52
Average transactions per year:	9
Total interest for original loan + 8 flips	\$468
Total principal plus interest paid:	\$793

Predatory payday lending now costs American families \$4.2 billion per year in excessive fees

Counting the fees paid by borrowers who have five or more payday loans per year, which indicates they are caught in a cycle of debt, we calculate the 2005 costs of predatory payday lending in each state, for a national total of \$4.2 billion per year.

State	2005 Cost of Predatory Payday Lending	State	2005 Cost of Predatory Payday Lending
Alabama	\$225 million	Nebraska	\$20 million
Alaska	\$4 million	Nevada	\$108 million
Arizona	\$139 million	New Hampshire	\$5 million
Arkansas	\$25 million	New Mexico	\$27 million
California	\$365 million	North Carolina	\$74 million
Colorado	\$76 million	North Dakota	\$6 million
DC	\$3 million	Ohio	\$209 million
Delaware	\$23 million	Oklahoma	\$38 million
Florida	\$156 million	Oregon	\$51 million
Hawaii	\$3 million	Pennsylvania	\$29 million
Idaho	\$26 million	Rhode Island	\$3 million
Illinois	\$219 million	South Carolina	\$186 million
Indiana	\$51 million	South Dakota	\$87 million
Iowa	\$40 million	Tennessee	\$133 million
Kansas	\$30 million	Texas	\$259 million
Kentucky	\$131 million	Utah	\$69 million
Louisiana	\$311 million	Virginia	\$160 million
Michigan	\$120 million	Washington	\$155 million
Minnesota	\$4 million	Wisconsin	\$124 million
Mississippi	\$135 million	Wyoming	\$10 million
Missouri	\$317 million		
Montana	\$8 million	Total	\$4.2 billion

States that ban payday lending save their citizens an estimated \$1.4 billion in predatory payday lending fees every year.

Despite the spread of payday lending nationwide, a number of states have no known costs associated with the practice. We project the 2006 savings for states that ban payday lending at \$1.4 billion, quite a significant level considering that these total savings are realized by fewer than a dozen states.

State	2006 Savings
Connecticut	\$64 million
Georgia	\$149 million
Maine	\$26 million
Maryland	\$98 million
Massachusetts	\$121 million
New Jersey	\$152 million
New York	\$349 million
North Carolina	\$155 million
Pennsylvania	\$236 million
Vermont	\$12 million
West Virginia	\$36 million
Total	\$1.4 billion

Conclusion and recommendations

Solving the payday lending problem has been a huge challenge for most states. The industry has successfully lobbied legislatures across the country to exempt payday lending from state consumer loan laws. In addition to legalizing the practice of holding a live check as collateral, these exemptions typically authorize interest rates at 10 times the interest rate cap provided for in the state's consumer loan laws.

But there are signs that the tide is turning. The wave of payday authorization has clearly slowed, with states increasingly wary of this loan product. Several states have either refused to exempt payday lending from their laws or have closed existing loopholes.

Since the FDIC recognized the abusive nature of payday lending and tightened the reins on the banks they insure, the practice of national payday companies partnering with out-of-state banks (rent-a-bank) has all but disappeared. This places the responsibility for preventing predatory payday lending squarely in the hands of state legislators in the states where it is currently legal.

Some states have tried to reform payday lending by requiring databases, cooling-off periods, repayment plans or limits to the number of outstanding loans. The payday lending industry generally endorses these reforms, though we have found in the analysis provided in this paper that they have little impact on the debt trap payday lenders depend on for their revenues. Additional data is available from the states that have tried these reforms, which will provide the basis for a forthcoming CRL state-level analysis.

To solve the problem of high-cost payday lending effectively, state policymakers are increasingly applying their consumer loan laws to all lenders, including Internet lenders.

Most states have an existing interest rate cap in their consumer loan laws in the double digits; about a dozen are set at 36 percent. To prevent predatory payday lending, some states have refused to authorize special exemptions from these limits for payday lenders, whose business model requires them to charge triple-digit interest and repeatedly flip the loans.

Congress recently adopted, and the President signed into law, a 36-percent annual interest rate cap for consumer loans made to military families, protecting them from predatory payday loans as well as many other high cost loan products. The legislation outlawed taking a security interest in a live check, therefore prohibiting payday lending. The Pentagon reported that payday lenders are targeting their troops, and that servicemen and women are frequently losing security clearance because of their resulting debt problems.

Policymakers interested in preventing predatory payday loan flipping in their states should consider capping annual interest rates on small consumer loans at an all-inclusive 36 percent. This change would continue to allow responsible credit to flow, while saving Americans the billions of dollars now lost to predatory payday lenders.

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The Center for Responsible Lending is a non-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

Lobbying and Politics

The lobbyist enters the dark, smoke-filled room with pockets full of cash. The fat politician waits with a greedy grin, ready to vote for a sweet deal for the power behind the lobbyist. We've all seen this in the cartoons in the newspaper. Sometimes that picture is not so far from the truth. But lobbying is not quite that simple. We all know our political system directly affects our economic system. But how does lobbying fit in? The answer depends on your understanding of economics.

Free markets and lobbying

From a free market point of view, all regulation of business has a negative affect on the economy. That means all tax breaks, business taxes and even pork-barrel government spending skew a market that works best if left to itself. Yet who works hardest to secure special tax breaks? Who works over their Congressional representatives for first grab at contracts? The business lobbyist.

Our current economic system hardly reflects the ideal of the free market. To a free market economist, lobbying is only good when it seeks to end government regulation of business. All other lobbying limits the invisible hand of the market, which finds its own balance over time to the relative good of society as a whole.

Our pro-business politicians use free market language to speak against regulation, but at the same time they push though special tax exemptions and subsidies while directing rich contracts toward cronies and campaign contributors. In this case, the market isn't free; it's an oligopoly — control by a small, inside group. Over time, government spends more and more on a small selection of corporations. Businesses with access to political power through influential lobbyists get rich, while businesses without that access suffer and fail. That's fleecing the public sheep, not letting the market work as it will. Do Halliburton and Dick Cheney come to mind?

Conflict Theory and lobbying

Another approach to thinking about how society and the economy work is sociology's Conflict Theory. According to this approach, many interest groups struggle in society for greater access to political decision-making and economic resources. Those who gain more access and more money thereby gain power. They set the rules of society to work to their advantage and to the disadvantage of other interest groups. Those with more power exploit the labor and resources of those with less power. Over time, that exploitation solidifies into oppressive systems such as racism, sexism, classism and heterosexism.

From a Conflict Theory viewpoint, lobbyists are primarily employed by interest groups to wield whatever power those groups can muster on the political scene. Today, this primarily means campaign donations. Modern political campaigns cost huge amounts for TV and radio commercials, direct mail flyers and postage, campaign staff, travel budgets and polls. The flow of money from interest groups, especially business, keeps that

machine chugging along. With each donation, a chain of accountability stretches from the interest group to the politician. When Dominion or Philip Morris lobbyists enter the office of a politician, that politician knows what donations — and possible future donations — that lobbyist represents.

Lobbying as information sharing

With over 3,000 bills flowing through the Virginia General Assembly in just two or three months, it is impossible for one politician to be informed about each bill on which he or she votes. We live in a world of increasing complexity. So, while money certainly talks to politicians, effective lobbyists must also be reliable sources of information for politicians.

So the flow of information from lobbyist to politician plays a critical part in good politics. A good lobbyist can lead a politician through the arcane details of an issue and suggest a policy solution based on real research and solid thinking. Of course, the politician always knows that the lobbyist is ultimately self-interested, so the politician must finally sort through the information for her or himself.

But good information, unlike vast sums of money, is not limited to corporations and other large institutions. Understanding what information an elected official needs and providing it is a way that any lobbyist can get close to that elected official.

Effective lobbying is a form of power

Not all professional lobbyists dispense campaign contributions. But every effective lobbyist shares these strengths:

- first, the relationships they have built over time with particular politicians;
- second, the intelligence networks through which they gather information; and,
- third and most importantly, their reputation and integrity.

For example, the lobbyist for the Payday Loan industry is Reggie Jones, whose reputation at the Virginia General Assembly is impeccable. He can get votes for his clients from some politicians simply based on his reputation and credibility. He has power separate from the money power of his clients, and distinct from the social conflicts of the larger society.

Organizations of everyday people can develop these three qualities, too. Over the long term, by building a relationship with a legislator, development of a network of informed supporters, and internal standards of integrity, an organization can come to be even more respected by legislators than a professional lobbyist.

At VOP, we use a two-pronged approach to our work with legislators. We employ Ben Greenberg to be an inside presence with legislators on our issues, and to work with our members who go to the General Assembly every day in order to talk with legislators from a constituent's perspective. The two reinforce one another very well. With Ben

Greenberg's guidance, and the experience and participation of our members and allies, we are building a powerful lobbying presence at the General Assembly.

At the same time, out in the world of the market, the media, and social conflict, we organize power in the community, knowing that ultimately all decision-makers have to base their decisions on the power relationships around them.

In the final analysis, lobbying often skews our supposedly free market towards the undeserving wealthy. Lobbyists are part of larger systems of conflict in our society. The political process moves our economic abundance toward some at the expense of others.

But there is something we can do about it. People's organizations like VOP organize as a counter-balance in order to make sure Virginia's economy works for the benefit of all — for the common good.

Scapegoating the economic crisis

By Judith Bell

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We started noticing the trend last week. Traffic on our website was spiking dramatically, with nearly half of all our hits landing on one specific page, entitled: “What is the Community Reinvestment Act?” Could it be that in these increasingly dire economic times, Americans are looking for examples of successful, pragmatic solutions to encourage responsible homeownership and promote equality and justice? Sadly, not quite.

It turns out our CRA page was linked in a scathing video blaming the CRA for the housing crisis — the basic argument being that the CRA forced banks to loan to all people and, therefore, precipitated the sub-prime crisis and irresponsible people getting loans they couldn’t afford.

The Drudge Report happily hyped this video and injected it into the conservative blogosphere. From there, the CRA meme caught like wildfire. Soon, we were seeing it in top conservative blogs and even on the op-ed pages of major newspapers. It is now an article of faith among many conservatives that the housing crisis is rooted in the CRA — and, in turn, the millions of people of color who were able to obtain mortgages through it.

This argument is not only morally repugnant, but simply factually off-base.

The CRA was passed in 1977 to counter proven and pervasive racial discrimination by banks and savings & loans. It addressed the unfair and widespread practices of denying credit-worthy customers of color, particularly African-Americans and Latinos, access to standard loans and mortgages. The CRA was a remarkable success, sending home ownership rates among people of color to unparalleled heights and helping usher in a black and Latino middle class that is essential to America’s economic future.

However, during the past decade as the nation’s housing market flew closer and closer to the sun, enforcement of the CRA has actually decreased. Contrary to what CRA critics espouse, the CRA did not force these loans of lenders. The CRA became law in 1977, and the sub-prime loans that got us into this current crisis started being issued en masse in 2003. As financial institutions’ desire for accelerated profits and revenue streams grew, necessary regulation did not follow.

The strength of the CRA was significantly weakened in 1999 when financial legislation allowed investment and securities firms to enter the mortgage world. Prior to these changes, the home mortgage industry was fairly simple-banks offered loans, those loans were purchased, held and backed by the General Service Enterprises of Fannie Mae and Freddie Mac. The CRA applied to the regulated institutions issuing loans.

After the 1999 legislation broke down the firewalls between players, however, the network of firms financing homes included more than 20 types of entities that could purchase, repackage and securitize loans. Brokers became free agents to recruit these loans for players that made money on high-fee, high-interest transactions. This massive web of financial entities offering, bundling and trading of mortgages was not covered by the CRA. The vast majority of the sub-prime loans causing today's massive foreclosures were issued by institutions not covered by the CRA.

Watchdog group Media Matters notes that in the 15 most populous metropolitan areas, 84.3 percent of high-cost loans in 2006 were made by financial institutions not governed by the CRA. Janet Yellen, president and CEO of the Federal Reserve Bank of San Francisco, said in a March speech that 'studies have shown that the CRA has increased the volume of responsible lending to low- and moderate-income households.'"

Rather than having the government enforcing a banking regime that is fair and just to all people — as the CRA intended — lawmakers abdicated their responsibilities by not regulating the new players, and let the market run roughshod over millions of low-income Americans simply yearning for the American dream of home ownership. The CRA required meeting community credit needs across banks' markets — not predatory lending across a vast opaque network of lending, trading and securitization institutions. Uneven and nonexistent regulation became the tragic accelerant.

Trying to blame the CRA and hard-working, low-income Americans for an economic crisis that began in smoky Wall Street backrooms is not only factually but morally wrong. The CRA is an indispensable tool in our continuing push toward an America that offers equal, just and fair opportunity for all people.

Judith Bell is president of PolicyLink, a national research and action institute advancing economic and social equity by Lifting Up What Works®. You can contact PolicyLink at 1438 Webster Street, Suite 303, Oakland, CA 94612, or by telephone: (510) 663-2333, e-mail: info@policylink.org or by visiting their website: <http://www.policylink.org/>.