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| **Theme:** Debt**Aim:** To develop an understanding of the causes and consequences of international debt |

DEBT EXPLAINED

*Key question: What is debt?*

Debt in itself is not bad; it allows people and organisations to do things they wouldn’t otherwise be able to do, such as buy a home or expand a business. But throughout history, excessive debt accumulation has been blamed for exacerbating economic problems, from the Great Depression right up to the current global financial and economic crisis.

The causes of the most recent Irish recession can be difficult to understand, as the way the global financial system operates is so complex, but at its heart it revolves around debt – the reckless way money is often lent and the ensuing inability of the borrower to repay.

Personal Debt

Lots of adults in this country are in some sort of debt. Many will have taken out a loan from a bank to pay for an expensive item like a car or a house (a mortgage), and many more use credit cards to pay for smaller things.

Loans come with a catch though – they need to be paid back, and often with interest. This is one important way that banks make profits: it’s the price you pay the lender for borrowing their money, on top of the original sum borrowed. The amount of interest paid (the interest rate) varies according to the amount borrowed, the terms it was borrowed under and how long it takes to repay. The higher the interest rate and the longer the repayment term, the more money you’ll have to pay back.

International Debt

In the same way that a person might take out a mortgage to pay for a house, governments take out loans to pay for big projects such as building roads or schools. Changes in the global financial system can affect the country’s ability to pay the loan back. For example country A raises revenue from cotton exports. They receive a loan from the government in country B to build a road. They manage to repay the loan for two years, but then the global price of cotton falls. Country A is no longer making enough money to pay back the government of country B. Accumulated debt repayments and high interest rates are sending country A further and further into debt.

When nations become deeply indebted they can be locked into spending more on repayments than on helping their own people, and fall into an abyss of economic degradation. Their governments owe vast sums to wealthy countries and the international banks.

Poverty and Debt

There is no doubt about it: poverty and debt are linked. Because of debt, some of the poorest countries in the world are paying rich countries far more in debt repayments than they are getting in aid. Thanks to campaigning some poor countries have had vitally important debt cancellation. But the world’s poorest countries still own hundreds of billions of dollars to rich countries, banks and international institutions like the IMF and the World Bank.

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| This information has been adapted from *Getting Into Debt*, an education resource produced by Jubilee Debt. jubileedebt.org.uk/get-involved/education |

DEBT DIAMOND

*Key question: Who is responsible for causing and tackling global debt?*

* Discuss debt with students. What is debt? What is interest? What is the difference between personal and international debt?
* Divide students into groups of 4/5 and give them a set of debt statements. Ask them to rank the statements, with the statement they strongly agree with at the top, the two they feel next strongly underneath and so continue until the statement they disagree with the most is at the bottom. The statements should be in a diamond shape. There is no correct order to put the statements. This aim of this activity is to start a discussion and to come to a democratic decision in how to order the statements. Students should be able to explain way they ordered the statements the way they did.
* Ask students to feed back to the wider group the statement that they put at the top and the bottom. Facilitate a discussion: Did any group find it difficult to come to an agreement. Was there any similarities between the groups?
* Elaborate each statement by sharing the information given on the next page.

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| If countries adopt the economic policies of international bodies (such as the IMF and World Bank) their problems will be solved. | Debt is a cause of environmental damage. | When banks give loans, they should only have to think about profits. It is not their responsibility to think about the person/country taking out the loan.  |
| Women are most affected by debt burdens. | Debt is the result of bad planning and corruption, those in charge shouldn’t be allowed to get away with it.  | Today’s generation of indebted people should not be held responsible for the mistakes of those who went before. |
| It is always morally wrong not to repay a debt. | Global North countries should pay off their debt regardless of the consequences. | Global South countries should pay off their debt regardless of the consequences. |

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| If countries adopt the economic policies of international bodies (such as the IMF and World Bank) their problems will be solved. | Borrowing from these financial institutions can give short term relief for governments to pay for public services. However the loans come with conditions that often have detrimental effects on those countries. The Irish loan from the IMF enabled the Irish Government to pay for public services during the recession, but privatization policies of the IMF resulted in the setting up of Irish Water. |
| Debt is a cause of environmental damage. | When countries need to raise money to pay off debts they often exploit their natural resources, so we see over intense farming of cash crops, allowing companies logging rights thereby destroying forests etc. On the other countries that are in recession tend to have less carbon emissions. For example in Ireland, so many people lost their jobs that there was less traffic on the roads, less people had money to take holidays on planes etc. |
| When banks give loans, they should only have to think about profits. It is not their responsibility to think about the person/country taking out the loan. | Banks, particularly in rich countries can make huge profits on loans they give to people or countries. The burden of the reckless borrowing of Irish banks pre 2008 fell on the Irish people. However some people would argue Irish people brought this on themselves through greed.  |
| Women are most affected by debt burdens. | Women tend to be affected by spending cuts or lack of public services more than men. If a Women needing basic healthcare during pregnancy and birth often do not have access to it. If school fees are introduced, girls are often kept at home and the boys sent to school. Lack of clean water and sanitation has a greater impact on women as they are usually the ones who have to fetch water. |
| Debt is the result of bad planning and corruption, those in charge shouldn’t be allowed to get away with it. | There is no doubt that some regimes in some countries have been corrupt, but many issues arise here. Is it fair to punish all for the crimes of the few? Many indebted countries have had honest governments. Western banks sometimes knowingly accept corruptly gained money. Are they not also responsible? Do you think that financial regulators and governments should be held responsible for decisions that they make while in power? |
| Today’s generation of indebted people should not be held responsible for the mistakes of those who went before. | Sometimes corrupt dictators who took out large loans have fled, but it is the present government and people who live in the country who are left to pick up the tab. In the Irish context people will be making debt repayments until the year 2053 because of a decision made by the Irish government in power during the financial crisis. Do you think this is fair?  |
| It is always morally wrong not to repay a debt. | Individuals and companies default on debts all of the time: we call it bankruptcy. Donald Trump bankrupted his companies four times. The law allows companies which are in debt to declare themselves bankrupt, have the slate wiped clean, and the individuals involved can start again. No such law exits for countries that are in debt.  |
| Global North/South countries should pay off their debt regardless of the consequences. | Some countries will never be able to get out of debt, or build adequate infrastructure and services if they are forced to make debt repayments. Public pressure led to debt cancellation for many Highly Indebted Poor Countries (HIPC) over the last 3 decades. Should the same be done for Global North countries such as Ireland and Greece? One argument against debt cancellation is that it encourages countries to borrow irresponsibly. But poor countries are in debt crisis because they were lent money irresponsibly. |

GLOBAL SOUTH DEBT TIMELINE

*Key question: What caused the debt crises?*

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| 1940s, 50s, 60s: Independence | Many Southern countries gain independence from colonialism and take loans to develop their economies. |
| The Cold War | The US and their allies $ USSR lend recklessly to Southern countries to buy political alliances. |
| 1973 Oil Crisis | Oil producing countries increase their prices, make lots of profits, and deposit the cash in Western banks. Western banks lend recklessly and massively to Southern countries. Southern countries’ debt spiralled from US$70 billion in 1970 to US$580 billion in 1980.  |
| Late 1970s | Southern countries are dealt a triple blow by global economy – an unprecedented rise in interest rates; a huge reduction in the prices of their commodities (such as coper and coffee); another increase in the price of oil. Southern countries are receiving less money than ever, but paying out more. |
| 1982 Debt Crisis | Mexico threatens to default on its debts. The global crisis is exposed. Lenders reschedule Mexico’s debt. |
| 1980s Campaigning | The debt cancellation campaigning movement springs up in countries around the world. |
| 1996 First Debt Cancellation | After much pressure the G8 countries agree to launch the Highly Indebted Poor Country Initiative (HIPC). Certain Southern countries are allowed cancellation of some debts owed to governments and lenders. But participating countries have to implement ‘policy conditions’ in order to qualify.  |
| 1999 Second Debt Cancellation | The G8 countries agree to include some more countries in the HIPC initiative. |
| 2006 Third Debt Cancellation | The G8 countries agree to additional debt cancellation for countries that have completed HIPC through a scheme called the Multilateral Debt Relief Initiative (MDRI). The HIPC and MDRI schemes will cancel over US$120 billion once they are fully implemented. |
| 2006 – 2013 Illegitimate Debt Cancellation Campaign | The external debt of Southern countries is almost US$ 5 trillion. Campaigners continue to call for the cancellation of all unjust debts of Southern countries so that lenders are held to account for giving bad loans. |
| 2016 New Debt Crisis | A new debt crisis has begun in impoverished countries. The crisis comes from a boom in lending and borrowing since the global financial crisis, followed by the crash in the price of commodity exports |

GLOBAL NORTH DEBT TIMELINE

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| 2006 Housing Bubble | Peaks in the United States |
| September 2006 Stock Market Collapse | The US subprime crisis causes the stock market to collapse. Subprime means making loans to people who may have difficulty making the repayment schedule. The stock market collapse means that there was is not enough money circulating in the US banking system, and between US banks and banks all over the world. This triggers a global crisis. |
| September 29th 2008 Irish Blanket Bank Guarantee | The Irish Government guarantees all bank deposits in six Irish banks. |
| December 2008 Nationalisation | The Irish Government puts €1.5 billion into Anglo Irish Bank in return for 75% stake, effectively nationalising it. This means that the government owns it. |
| October 2008 Financial Crisis Iceland | Britain, Germany and other countries start bailing out Icelandic banks. Iceland, Pakistan, Hungary, Russia, Serbia and Ukraine request financial aid from the IMF. This in unprecedented in Global North countries. |
| 2009 The Recession | It is difficult to get credit, sales fall, job loses rise. The Irish Government announces its first austerity budget. |
| February 2009 Civil Unrest in Ireland | 120,000 Irish people demonstrate against cutbacks, which are linked to repaying Ireland’s massive banking debts. |
| 2010 Greece threatens to default | Greece’s credit rating is lowered and lenders stop lending, which creates possibility of a default. Default means the failure or refusal to repay one’s debts. This sparks speculation that other EU countries (Ireland, Spain, Portugal and Italy) may default.  |
| May 2010 Financial Aid for Greece | There are fears that further defaults will cause insolvency in every European bank and bring down the euro. Insolvency is when the banks do not have enough cash to repay debts and pay out to customers. Therefore EU leaders and IMF agree a financial aid package for Greece and a €750 billion bailout fund |
| 2010 The Troika  | In September the Irish Central Bank announces that the Anglo Irish Bank bailout alone will cost people in Ireland €35 billion. The total cost of the baking crisis is €64 billion. In November the Troika arrived in Ireland. The word Troika refers to The European Central Bank (ECB), the IMF and the European Union (EU). Ireland signs up to the EU IMF loan agreement. |
| February 2013 Government Bonds | The Irish government closes down Anglo Irish Bank completely, and changes its remaining debt into government bonds. These will be paid over an average of 34 years. The first payment on principal of the Anglo debt will be paid in 2038, the last repayment in 2053. |

WRITE A NEWSPAPER ARTICLE

*Key question: How is debt reported on in newspapers?*

Broadsheet and tabloid newspapers differ in their tones. The former reports in a serious tone and the latter tend to use emotive language and sensationalise stories. According to the Joint National Readership Survey, four in five adults read a newspaper every day in print, on a mobile or on a desktop every day. There are several daily newspapers in Ireland, of which the Irish Independent is the most popular judged on sales. None of the Irish papers are aligned with a particular political party. However the Irish Times is seen as a more liberal paper when it reports on social issues and the Irish Independent is seen as more conservative. *Independent News and Media* is the leading newspaper and media group in Ireland. It publishes five national papers (Irish Independent, Sunday Independent, The Herald, Sunday World and The Star) and 13 regional papers. The company also manages independent.ie, Ireland’s leading news portal.

* Discuss the topic of print media with students. Are stories reported differently by different types of newspapers? Would it make a difference if the media company is run by a private owner or a country’s government? Who runs the major newspapers in Ireland? What impact does that have on how we receive our news?
* Carry out a media hunt. Distribute various newspapers and ask students to look for any articles linked to debt. Discuss how the stories are portrayed. Is there a difference between the broadsheets and the tabloids?
* Students prepare to write their own article by selecting an event from the debt timelines for individual research. Encourage students to write a list of questions they would need to find answers to about their chosen event to be informed enough to write a newspaper article. Chose what type of newspaper to write for – try to ensure there is a variety of types of newspapers and events being written about. Encourage students to take different angles of the same stories.
* For a homework task students gather information and write a newspaper article. Remind students that all information must be accurate and informative.