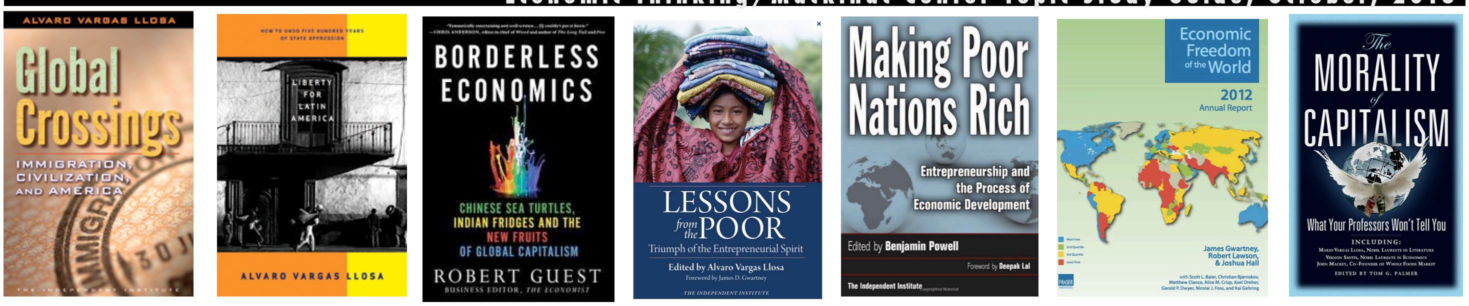
Economic Engagement with Cuba, Mexico, Venezuela

Study Guide for the 2013-14 NFL Debate topic

Economic Thinking/Mackinac Center Topic Study Guide, October, 2013



"Economic engagement" is not a phrase much used by economists. Countries don't economically engage, but people do through trade, investment, employment, travel, and migration. Governments enable or restrict economic engagement between people and firms by their various regulatory, trade, travel, and migration policies. Since WWII and then NAFTA, governments have generally reduced trade and investment barriers.

The 2013-14 debate topic calls for the U.S. federal government to increase economic engagement with Cuba, Mexico, or Venezuela. This translates for the affirmative to proposing policies to reduce or eliminate restrictions currently in place, or to enact new policies to promote further economic engagement.

Vice-President Joe Biden was in Mexico September 20 meeting with Mexico's President to discuss "how to jump-start sluggish economies in both countries using trade." ("Biden Backs Mexico Plan for Economic Overhaul," *Wall Street Journal*, September 21-22, page A9). According to the *WSJ*, topics ranged from immigration reform to "the need to make the border more fluid." The U.S. Commerce Secretary added: "there is much more work to be done in linking the two economies through transportation, like increased infrastructure on the border bridges and streamlined aviation policies."

Policies reducing barriers to trade, investment, travel and migration between the U.S. and Mexico apply as well to U.S.-Cuba and U.S.-Venezuela exchange. The most effective way to benefit people in America as well as people in Cuba and Venezuela, is reducing taxes, regulations, and other restrictions on trade, investment, travel, and employment.

The elephant in the room for U.S./Mexico policy continues to be legal and illegal immigration over the last twenty years. Michael Barone writes that immigration to America has been episodic and unpredictable through American history. And the latest immigration surprise was astonishing in scale, transforming both the U.S. and Mexico:

> *In a single generation, between 1980 and 2007, more than 10 million people migrated, legally or illegally, from Mexico to the U.S. Today there are more than 12 million Mexican-born people in the U.S. and millions of American children who are their offspring–amounting to almost 10% of the nation's population. That is exponentially larger than in 1970, when there were less than one million Mexican-born people in the country, or 1980, when there were two million. The Mexican migration, and the similarly large migration of others from the rest of Latin America, has in just one generation reshaped the nation. ("A Nation Built for Immigrants,"* Wall Street Journal*, Sept. 21-22, page C1.)*

In terms of economic engagement, the vast majority of Latin American immigrants joined the U.S. labor force, producing goods and services plus remitting part of their income to family and relatives at home. It is not an accident that over these same twenty-five years both the U.S. and Mexico experienced the largest sustained period of economic expansion in their history.

Whole new industries were created during the dynamic growth of the U.S. economy from 1980 to 2005, attracting young immigrants from Mexico and around in Latin American to fill some of the millions of new manufacturing and service jobs. These millions of immigrants from Latin America and around the world added fuel to the economy by both taking and creating jobs, as well as boosting domestic demand as they purchased food, clothing, housing and other goods and services. New immigrants from Mexico were both helping build homes and living in them (though often at high density to the distress of neighbors). New Mexican immigrants were mostly poor, but quickly became wealthier.

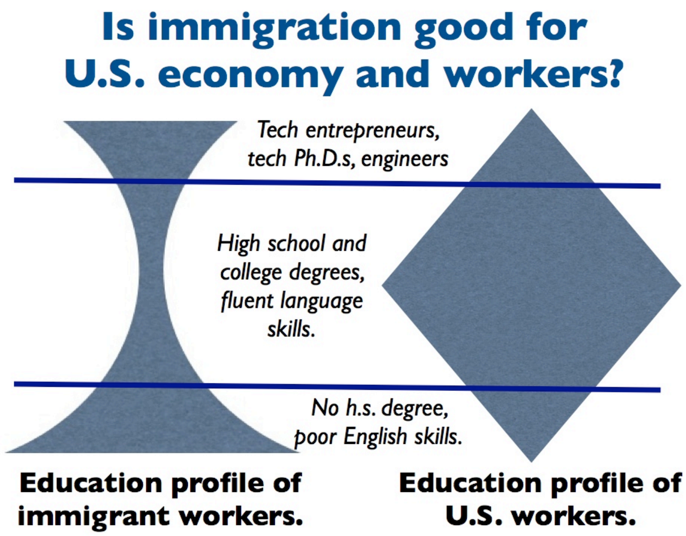
The Surprising Workforce Benefits of Migration

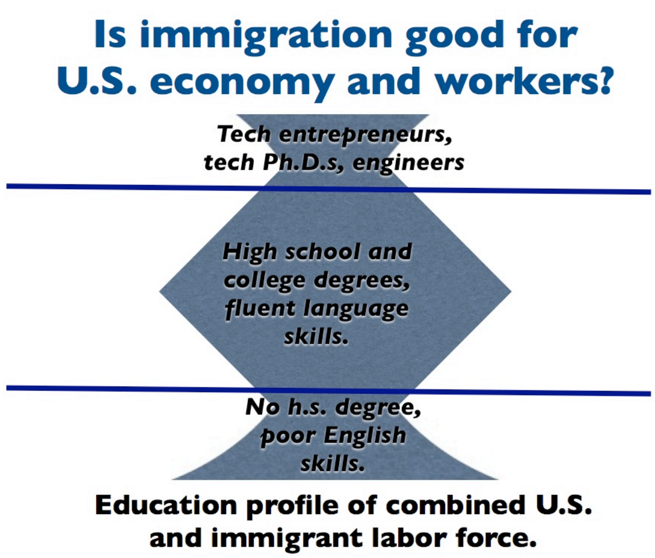
Many fear new immigrants are "taking" jobs from U.S. workers, or pushing wages rates down. Immigrants also add to school classrooms, hospital emergency room, and can increase congestion on highways and at parks and beaches. Wal-Mart, Target, Sears, Walgreens, Safeway, McDonald's, Chipotles, and other U.S. firms don't complain about the millions of new immigrant shoppers and customers, nor about the hundreds of thousands of immigrants they employ.

But schools, highways, parks, and emergency room services are provided at state government expense to immigrants, and paid for in large part by non-immigrant state taxpayers. Yet the income taxes, social security and Medicare taxes immigrants pay flows to the federal government, not the states responsible for providing provide most government services to immigrants.

Recent economic studies show, however, that the benefits of immigrant workers far outweigh the costs for state services they consume. The reasons seem surprising at first, but make sense when we see the contrast in education and jobs-skill profiles between existing U.S. workers and recent immigrants.

The nearby graphs tell the story. Some immigrants are bunched at the top with science and engineering degrees and a bent toward entrepreneurship, and others at the bottom with few job skills suited for modern economies and limited English language skills. U.S. workers on the other hand tend to be in the middle, nearly all with high school degrees and many with undergraduate college degrees.





When you combine the two jobs-skills profiles in one economy, they very much complement each other. Immigrants at the top level fill key positions in tech and manufacturing firms. Immigrant entrepreneurs have starting or filled key technology positions in over half of all Silicon Valley start-ups. Immigrant entrepreneurs have created hundreds of thousands of small and large companies around the country, employing millions of U.S. workers. Dallas, Houston, and Austin and other Texas cities are home to millions of recent immigrants both creating jobs with new enterprises and filling key positions in existing companies across the booming Texas economy.

Why Not More Entrepreneurs and Enterprises at Home?

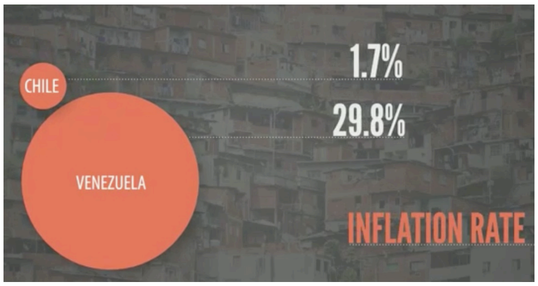
With the key role immigrant entrepreneurs and enterprises play in expanding the U.S. economy, the question is asked, why weren't they able to be successful entrepreneurs in their home countries? Why not create enterprises in Mexico, Cuba, or Venezuela, where wages and land are usually much less expensive?

One way to get a handle on this puzzle is to ask the same question about new enterprise and job-creation between U.S. states. Texas, North and South Carolina, Georgia, and Florida, for example, have been home to far more new enterprises and jobs than Michigan, Illinois, Ohio, and New York. Why? Surveys of economic freedom across the states compare tax rates, regulations, ease of starting enterprises, and other measures of economic freedom. These studies find that states with no income tax and relatively less regulations make them more attractive to immigrants and entrepreneurs. (For more information see: freedominthe50states.org/)

A similar study of countries compares levels of economic freedom, and adds measures of trade restrictions, whether the currency keeps its value (or is reduced by high inflation), and judicial transparency. There are a number major indexes of economic freedom published each year. The Frasier Institute in Canada, working with a network of research institutes in other countries publishes the Economic Freedom Index, available online with additional studies and articles at: www.freetheworld.com. The Heritage Foundation and *Wall Street Journal* publish a separate Economic Freedom Index, available online at: www.heritage.org/index/.

These studies document key measures of economic freedom in each country and test whether increasing and decreasing levels of economic freedom influence economic growth and other measures of well-being.

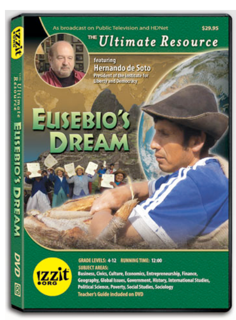
Consider comparisons of Chile and Venezuela. The Chilean government now manages its currency so that it maintains its value. The annual inflation rate of 1.7% contrasts with 29.8% inflation in Venezuela. Printing money to pay government salaries, expenses, and subsidies destabilizes the Venezuelan economy, making it much harder to run businesses and manage households.

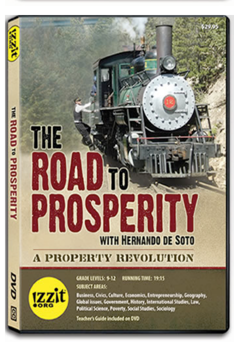


Relatively more economic freedom in Chile over the last twenty-five years allowed millions in Chile to earn their way out of poverty. In Chile the poverty rate in just 15% compared to 29% in Venezuela. Though Chile has copper deposits and other natural resources, Venezuela has vastly more valuable oil and gas resources. But unlike copper mines in Chile, oil and gas deposits in Venezuela are owned and operated by the government (since nationalizing most private oil and gas firms). Under Venezuelan government management, production levels have been declining and significant amounts of oil income are lost to fraud and corruption each year.

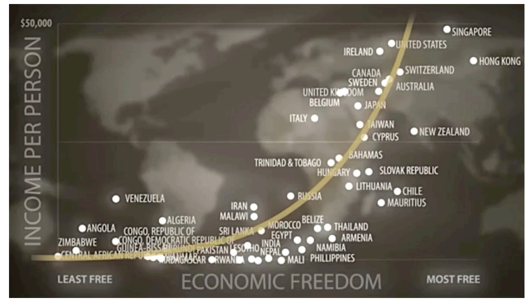
Millions of people on the move

Around the world people are on the move. The last few decades have seen the largest migration in human history as tens of millions of people have migrated from rural villages to nearby and distant cities. This ongoing migration and how governments have responded to it is at the center of this year's debate topic. Had the countries and cities of Mexico and Venezuela been more open to enterprise and entrepreneurship, tens of thousands of new businesses would have created jobs for the millions streaming in from the countryside. But long-set mercantilist policies kept migrant workers in the "informal" economy, and without access to business licenses or property titles. (Izzit.org videos draw from Hernando de Soto's research on these issues (www.izzit.org). Without legal foundations too few enterprises and jobs were created so millions of immigrants from the countryside moved on to look for work in the U.S..





Mass migration from Mexico is one of the unexpected events of America's migration history. The booming California economy of the 1970s with its massive expansion of agricultural production came just as Mexico's government doubled-down on interventionist policies, devaluing the peso three times in 1982. These devaluations pushed real wages down and costs for imported food and goods up.



Adding to the migration pressure was the rapid population increase in Mexico from 1960 to 1980s and the continued rapid increase in the decades after. Millions of young people migrated to Mexico's cities and northern states. With the the Mexican economy distressed, millions of young people continued their migration north to the booming cities and agricultural enterprises in California, Arizona, Texas and other nearby states.

The Economist reports the consequences:

> Mass migration from Mexico to the United States is a fairly recent phenomenon. Only 40 years ago the United States had more immigrants from Canada, Germany and Italy than from Mexico. The Mexican wave swelled in the 1970s and kept growing in the 1980s and 1990s [...] as a rocky Mexican economy propelled more migrants north and a relaxed American immigration policy made it easy for more to settle. In 2000, the peak year, more than 750,000 Mexicans crossed the border. ("The ebbing Mexican wave," Nov. 12, 2012, Print Edition)

But this mass migration has ended (see article in *The Economist).*

Kansas State Fair Demonstration Debates

Each year, on the second Tuesday in September, over five hundred high school debate students travel to the Kansas State Fair in Hutchinson to see the Fair and watch and flow three debates.

The first debate this year focused on U.S./Mexico relations, calling for improved infrastructure for border crossing to reduce costly delays and improve security. The second debate called for the U.S. to improve oil industry technology for PDVSA, the Venezuelan national oil company. The third debate called for the U.S. to drop restrictions on trade and travel with Cuba.

Each year I have been invited by Gary Harmon, the demonstration debate host and debate coach at Kansas Wesleyan University, to provide short economic commentaries and analysis of the debate. Below are summaries of cases and my comments.

1. Upgrading U.S./Mexico Border Crossing Infrastructure

The affirmative claimed congestion at the border is costing $8 billion a year and slowing economic integration of cross-border manufacturing. Some goods cross back and forth as many as six times during manufacturing.

Funding was to be from the North America Development Bank. The affirmative argued spending $6 billion upgrading infrastructure and scanning equipment at border crossing would reduce congestion and improve security. The negative argued, among other things, that "influence was a zero-sum game" so increased U.S. influence would push out China and lead to nuclear war. I noted that if congestion delays cost businesses $8 billion a year, they would be willing to pay increased tolls to upgrade infrastructure to reduce congestion.

2. U.S. Investment in PDVSA to Improve Oil Production

Venezuelan oil production is way down, and the affirmative called for the U.S. to provide oil expertise to enable production to recover. The affirmative noted that heavy crude oil from Venezuela matches the heavy oil refinery capacity in Houston, and would allow the U.S. to reduce imports of heavy oil from Saudi Arabia. Without U.S. support, the affirmative argued Venezuela would become a failed state and home to terrorists.

The negative countered that the Venezuelan government would not be receptive to U.S. government involvement. Though the Venezuelans might be open now that Chavez is gone, to international oil companies again investing to upgrade PDVSA technology and expertise, the strongly nationalistic government would not want the U.S. federal government involved. The Chavez regime has been bad news for Venezuela's national oil company. According the the *New York Times* "Venezuela's annual oil production has declined since Mr. Chávez took office in 1999 by roughly a quarter, and oil exports have dropped by nearly a half, a major economic threat to a country that depends on oil for 95 percent of its exports and 45 percent of its federal budget revenues." ("Dwindling Production Has Led to Lesser Role for Venezuela as Major Oil Power," *NYT*, March 8, 2013, page A8)

Oil production is down because Chavez fought with PDVSA management after taking office: "A strike and the firing of management talent and 20,000 workers at the oil company in 2002 led to a steep decline in the company, which has been underscored by the refinery accidents."

The negative further argued that "influence is a zero-sum game" so that increased U.S. influence would reduce China's influence and lead to nuclear war. Students researching the topic will find that China has provided huge loans to cover Venezuelan deficits, and these loans are secured by future oil exports. So increased oil production would be good for China as well as Venezuela and U.S.

3. Ending travel and trade restrictions with Cuba

The affirmative called for ending the fifty year Cuban embargo and explained the benefits of trade and travel to the people of Cuba, as well as benefits to people in the U.S.. The negative argued that Cubans were enjoying free opera and symphony as well as free health care and education. Plus the negative argued that influence was a zero-sum game and increased U.S. influence would reduce Chinese influence, which would somehow cause nuclear war.

-- Greg Rehmke, grehmke@gmail.com

Liberty for Latin America

How to Undo Five Hundred Years of State Oppression

Latin America's economy experienced temporary growth during the years of economic nationalism and protectionism, but ultimately the results were catastrophic. The GDP annual rate of growth between 1950 and 1980 was 7 percent for Brazil, 6.5 percent for Mexico, 4.9 percent for Peru and 3.8 percent for Argentina. By the 1980s, however, Latin America's GDP per capita had fallen to less than one-third of the level in the core countries of the Organization for Economic Cooperation and Development (OECD). ...

The crucial mistake made by governments that privatized hundreds of state companies in Latin America—more than one thousand in Mexico, more than four hundred in Argentina, more than one hundred in Peru— was to transfer assets, that is, physical entities, without transferring property rights to all citizens. This is why most of the important privatizations took place under monopoly conditions that have given privatization a bad name. Property is not a physical entity so much as a set of options that the individual can exercise.

Contrary to conventional wisdom, so-called free-market reform did not reduce the size of government in Latin America. Argentina's GDP grew by 40 percent in the 1990s, but public spending grew by 100 percent. Between 1996 and 2001, Brazil doubled the size of its foreign debt. Except for Chile, where the privatization of old-age pensions has boosted savings and created an important pool of capital (more than $50 billion), privatization was a missed opportunity to vest people with capital across Latin America. ...

Despite almost $400 billion dollars of foreign investment in the previous decade, Latin America's investment rate is still an average of 15 percent of GDP because of the prevailing institutional climate. Hundreds of companies have moved their investments from Mexico to China because of the high costs of doing business in the former country (taxes, government-controlled energy, etc.).

The excess of regulations has expanded the opportunity for corruption. The high cost of doing business, a problem virtually untouched by reform, has turned potential producers into candidates for lucrative government posts or government-protected markets. Brazil has more than 10 million public employees. ...

The region's legal systems, based on a tradition whose remote origins lie in Justinian's codified version of Roman law and, much more significantly, in Napoleon's positive law, give governments total discretion over everything from constitutional to economic to family matters. Under such arrangements, there is no independent judiciary. ...In *Liberty for Latin America: How to Undo Five Hundred Years of State Oppression*, Alvaro Vargas Llosa maintains that, despite conventional wisdom, no "free market" reform has taken place in Latin America over the last decades. According to Vargas Llosa, the latest and far-reaching attempt to foster an open society in the region has run up against what he calls the "five principles of oppression": corporatism, State mercantilism, privilege, bottom-up wealth redistribution and political law. These same principles of political, social and economic organization have been present in Latin America since time immemorial. They have been sustained, over time, by both the Left and the Right. Unless they are removed once and for all, genuine progress will not be possible. ...

What Failed in Latin America

Liberty for Latin America is divided into ten chapters, following an introduction that explains how institutions and culture interact in order to bring about—or stifle—the free society. ...

Chapters 6 and 7 tackle the whole reform process of the 1990s, including the fight against inflation, privatization, trade liberalization, foreign investment, and other areas. A detailed description of what took place in various countries is followed by a critique seeking to demonstrate that in no area did reform actually eliminate or substantially reduce the power of the state over the economy and social life. The moderate successes are acknowledged, but the failure to take away the monopoly of opportunity from interest groups linked to the political machinery is spelled out with a view to helping the reader understand why there has been no reduction in poverty and why frustration with "free markets" is now so pervasive in a region where reform has come to a complete stop. The conclusion is that the "principles of oppression" shaped the reform process itself, paradoxically entrenching some of the elements reform was supposed to do away with.

Chapter 8 explores corruption, both in its most blatant manifestations and in its subtle, extremely harmful social effects, which account for the absence of a cogent, morally strong, civil society. The laudable and laborious efforts by grassroots organizations and civic associations that help sustain life throughout the region are examined in the context of the pernicious effect of statism, which is responsible for the emergence of an entire underclass of marginal people devoid of any sense of social belonging and for turning social cooperation into a naked struggle for dwindling handouts at all levels. ...

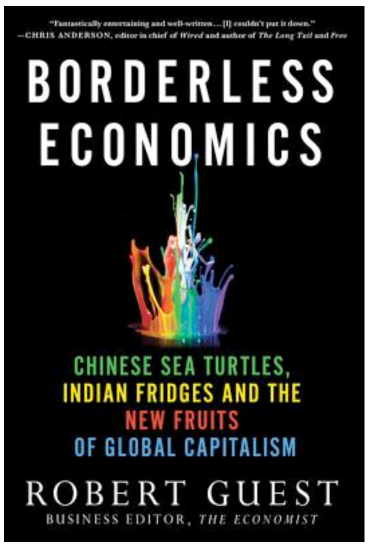
Turning the Tide

The final chapter of *Liberty for Latin America* proposes a direct attack on corporatism, State mercantilism, privilege, wealth transfer and political law through a transformation of the entire political and decision-making system based on the devolution of responsibility to the individual in all spheres of life. ... Underlying the entire blueprint for reform is the idea of empowering people at the grassroots level so that the various types of social institutions that are currently hindered from developing and blossoming can restore the moral fiber which society has lost and without which any sort of development is impossible.

- See more at: www.independent.org/store/book.asp?id=55#t-2

Economic Engagement with Borderless Economics

One reason to favor increased economic engagement with Mexico, Cuba, and Venezuela is that increase trade, investment, and migration between people in these countries and people in the U.S. increases prosperity on both sides of the trade, investment, and migration. And as people in Mexico, Cuba, and Venezuela become wealthier they are likely to purchase more goods and services from the U.S. The more people who can afford to buy an iPhone or iPad without breaking their budget, the more value flows to Apple employees and stockholders. Wealthier people visit Starbucks more often and buy more from Wal-Mart (Mexico's largest private employer).



Migration turns out the be the best way by far to raise incomes not only for migrants from poor countries, but also, through remittances, to raise incomes for relatives left behind. Robert Guest in *Borderless Economics* notes that "in the battle against global poverty, the best weapon is a welcome mat."

> Nearly half of the Mexicans who have achieved this modest standard of living [income over $10 a day] have done so by crossing the Rio Grande. More than a quarter of non-poor Indians got that way by coming to the United States. And tens of thousands of infants are prevented from dying each year by the simple fact that their parents emigrated. (*Borderless Economics*, page 126)

"When people try to think of ways to ease global poverty," notes Guest, "they seldom mention migration." People often think instead of microcredit, the small loans that Mohammed Yunus' Grameen Bank developed and expanded across Bangladesh. These small rural loans have provided millions with tools of production that enabled them to raise their living standards. But microlending can't match the income gains when poor people take even low-wage jobs in developed countries. Guest reports a study showing "the average gain from a lifetime of microcredit in Bangladesh is about the same as the gain from *eight weeks* working in the United States." (*Borderless Economics*, page 126)

The engine of economic development in India, Mexico, China and many other developing countries over the last two decades had been emigrants sending money and investment opportunities home, and often returning home themselves. Guest reports:

> A study of 6,000 small businesses in Mexico found that 20 percent of their capital came from remittances, mostly from Mexicans working in the United States. (*Borderless Economics*, p. 117)

As the Internet expands to include diverse online commerce as well as outsourcing, cloud computing, social and business networking, online education and a zillion other commercial and social services, national borders are less able to block economic and social engagement.

In *Borderless Economics*, Robert Guest, Business Editor for *The Economist*, takes readers on a tour through the new intersection of migration, technology, and cross-border innovation. Instead of immigrants to America leaving friends and relatives in the old country behind, now email, Skype and other online services not only keep them in touch, but allow them to develop enterprises from bits and pieces of technology and expertise networked across continents.

The Internet interprets censorship as damage and routes around it.
-- John Gilmore

Immigrants from Mexico or Venezuela have long been able to buy calling cards to call home fairly inexpensively, but now most can call home for free and gather for birthday parties, soccer games, as well as business meetings and educational workshops. These new Internet services are a blessing for immigrants recently separated from family and friends. And they also offer a rich toolkit for economic development.

Consider one example of cross-border commerce: the Internet has lowered barriers for Spanish education as thousands in the U.S. economically engage directly with Spanish teachers in Latin American countries. What better way to learn Spanish and about Cuba, Mexico, or Venezuela than a Skype or Google Hangout sessions? Income from teaching Spanish to U.S. residents has become a significant source of income, especially for mothers with children at home. "Global sourcing has just become possible where it wasn't before," he says. From the article: "For the average Guatemalan or Mexican woman, this is a real win." And: "We don't just do a lesson, we really get to know each other," Squires says of his Spanish teacher, who lives in Mexico. "We talk about our kids and about current events, not just here but also in Mexico." (*United Hemispheres*, September, 2013)

www.hemispheresmagazine.com/2013/09/01/found-in-translation/

UNITED Hemispheres

THREE PERFECT DAYS DEPARTMENTS FEATURES DOSSIER SUBSCRIBE

Industry

Found In Translation

In Latin America, enterprising female language teachers are using Skype to tap into the global marketplace—and the students up north love it

Author Mara Gay **Illustration** Harry Campbell

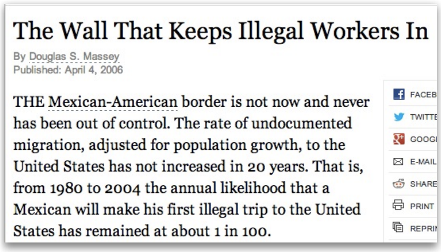
hola

At 10 years old, the internet company that lets users video chat for free has found its most devoted following among homesick families and friends living abroad. But now, Skype is also lending a huge hand to independent entrepreneurs across the so-called Global South, in developing countries where wages are low and job opportunities are scarce—doubly so for women.

Immigration Ideas, Economics, Sources

www.EconomicThinking.org/immigration

Here are sources *and ideas for reforming U.S./Mexico migration policy, featured with links at the URL above.*



The Wall That Keeps Illegal Workers In

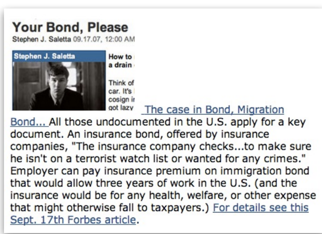
By Douglas S. Massey
Published: April 4, 2006

THE Mexican-American border is not now and never has been out of control. The rate of undocumented migration, adjusted for population growth, to the United States has not increased in 20 years. That is, from 1980 to 2004 the annual likelihood that a Mexican will make his first illegal trip to the United States has remained at about 1 in 100.

The Wall: The Cost of Securing our Southern Border, video from Reason TV

At a time when pundits and politicians of all stripes endorse securing the border between the United States and Mexico, reason.tv travels south to see what's really going on and what the human and monetary costs are of amping up border patrols. Watch the video, read more...http://www.reason.tv/video/show/434.html.

"The Wall That Keeps Illegal Worker In," (*New York Times*, April 4, 2006) draws from research by Douglas Massey: "The rate of undocumented migration, adjusted for population growth, to the United States has not increased in 20 years." What has changed, Massey's research reveals, is return migration, thanks to a massive increase of federal spending on border control. Where before 50% of illegal immigrants would return to Mexico within 12 months, now only 25% do. The Border Patrol's annual budget has risen from $200 million to $1.6 billion and staffing has increased from 2,500 to 12,000. The unintended consequence of this expanded border control effort has been to keep illegal immigrants in the U.S. longer, by making return trips harder and more expensive. Massey notes: "The only thing we have to show for two decades of border militarization is a larger undocumented population than we would otherwise have, a rising number of Mexicans dying while trying to cross, and a growing burden on taxpayers for enforcement that is counterproductive." So over a billion dollars spent each year to make it difficult and dangerous for illegal immigrants wanting return travel to Mexico. The federal debate is over a "path to citizenship." but most are more interested in a path back to Mexico when their seasonal work is done.



Your Bond, Please

Stephen J. Saletta 09.17.07, 12:00 AM

The case in Bond, Migration Bond... All those undocumented in the U.S. apply for a key document. An insurance bond, offered by insurance companies, "The insurance company checks...to make sure he isn't on a terrorist watch list or wanted for any crimes." Employer can pay insurance premium on immigration bond that would allow three years of work in the U.S. (and the insurance would be for any health, welfare, or other expense that might otherwise fall to taxpayers.) For details see this Sept. 17th Forbes article.

"Undocumented" high school students win college robotics contest. (Link at URL above.)

Polls show voters want lower immigration levels

Polls show voters want lower immigration levels.

Why not commission polls to show voters want higher immigration levels? Sir Humphrey Appleby shows how surveys really work.

Watch how in this clip from "Yes, Prime Minister" the acclaimed British comedy series (Margaret Thatcher's favorite show).

Polls show opposition to Mexican immigration. But polls are often misleading due to the way questions are asked. Sir Humphrey explains...

www.cato-unbound.org/2006/08/25/douglas-s-massey/getting-emotional-about-mexicans

***Cato Unbound* features a lively in-depth debate** on Mexican immigration featuring leading advocates and critics of economic engagement with Mexico via migration. Debate students know though to check publication dates.

Older books and articles are valuable for learning arguments and analysis for debate topics, and especially for putting current debates in historical context. But 2006 was boom-time for the U.S. economics, with construction still in full bubble mode. Workers from Mexico--legal and illegal--were finding jobs plentiful in agriculture and housing construction across the U.S..

The housing and finance bubble burst in 2007-2008, and the economy has been recovering only slowly. The crashing housing market cut millions of construction jobs for U.S. and immigrant workers.

Let Them In: The Case For Open Borders, by Jason Riley

Cato Book Forum for Let Them In

A Surgeon's Path From Migrant Fields to Operating Room

By CLAUDIA DREIFUS
Published: May 13, 2008

Correction Appended

At the Johns Hopkins School of Medicine, Alfredo Quiñones-Hinojosa has four positions. He is a neurosurgeon who teaches oncology and neurosurgery, directs a neurosurgery clinic and heads a laboratory studying brain tumors. He also performs nearly 250 brain operations a year.

Twenty years ago, Dr. Quiñones-Hinojosa, now 40, was an illegal immigrant working in the vegetable fields of the Central Valley in California. He became a citizen in 1997 while at Harvard.

The Economist

Migration

The ebbing Mexican wave

The world's biggest migration has gone into reverse

Nov 24th 2012 | From the print edition

As goes the economy, so goes immigration, according to the Economist, citing a study by the Pew Hispanic Centre:

> *But the Mexican wave has ebbed. Between 1995 and 2000 some 3m Mexicans moved to the United States, vastly outnumbering the 700,000 or so who returned to Mexico. Yet in 2005-10 the number of newcomers slumped to 1.4m, whereas that of returners increased to a matching 1.4m, according to estimates by the Pew Hispanic Centre, a Washington, DC, think-tank. It thinks that now there are probably more people departing than arriving.*

How It Would Work

A good reform plan for America

Immigrants who want to become citizens and live in the U.S. permanently would have to comply with existing laws and procedures. The Guest Worker Permit Red Card creates a different system for the vast majority merely seeking work in the U.S.

Guest Worker Permit Red Card

Non-citizen workers would be put on a different track.

A simple way for them and their families to legally come to the U.S. for specific jobs and for a specific period of time. It would require them to go through a background check and to return home at the end of their employment. It would give them no special place in the citizenship line.

Smart cards

In order to allow these workers to enter the U.S. and keep track of them, a new non-citizen work permit is issued. The smart card would contain personal information encoded on the card itself in a microchip, much like a credit card, and be "swiped" in order to cross the border, providing workers the ability to come and go at will, instead of feeling stuck permanently in the U.S..

Controlling the border

The Guest Worker Permit Red Card will help secure the border by providing an easy method that allows legal workers to go through a background check and enter the country legally. This will free up the resources and manpower needed to control the border, and eliminate the vast majority of illegal border crossings.

The private sector solution

The Guest Worker Permit Red Card allows private employment agencies, licensed by the U.S. government, to open offices in foreign countries and issue non-citizen worker permits following a required detailed background check. This program is paid for by applicant fees and businesses that want legal workers — not by taxpayers.

Tracking workers

Employers and law enforcement would be able to check the legal status of temporary workers by simply "swiping" their cards to verify they are allowed to work at a certain location. It will remain illegal to hire a worker not in the country legally.

Effective Law Enforcement

The most powerful motivating force is human self-interest. It is what drives free markets. The Guest Worker Permit Red Card uses that principal to create a system that will reduce illegal immigration, control the borders, and strengthen our economy. Once a legal non-citizen worker card becomes available, it will be the first resort of businesses wanting to operate legally and employees who want to come out of the shadows.

Engaging Cuba

For half a century the U.S. federal government has blocked economic engagement with Cuba, forbidding trade and travel. Ending these restrictions would allow curious Americans to visit Cuba more easily, bringing goods and ideas to and from the long isolated and long-suffering people of Cuba.

Balseros offers a compelling look at life in Cuba as the economy continued its downward spiral after the fall of the Soviet Union. The USSR had long subsidized communism in Cuba and the U.S. trade and travel blockade has long provided an excuse for the Cuban government to use for the continued failures of communism.

The Cuban government apparently thought it had an agreement with the Reagan Administration to accept Cubans wishing to depart Cuba. Later U.S. Administrations continued to block Cuban immigration due to anti-immigration pressure from unions and Conservatives. The problem for Castro was Cubans fed up with shortages and willing steal boats to escape. One group hijacked a ferry and headed to Florida, but ran out of fuel.

So Castro announced in 1994 that anyone wanting to, could depart Cuba. Quickly thousands began building rafts from whatever materials they could find to try to cross the "Sea of Death." U.S. policy though was to prevent relatives in the U.S. from assisting, and to intern Cubans wishing social and economic engagement in the U.S.. U.S. policy still restricts Cubans wanting to come to the U.S., even when relatives are willing to support them as they look for work.

Above, scenes from Balseros *give an glimpse of the sad lives and living conditions of Cubans wishing to depart (and not much has improved since).*

Constructive PolySci Engagement with Cuba

- *Come to Cuba for your Political Science degree!* *Tens of thousands of American college students pursue political science degrees, and many of their professors still wax enthusiastic about communism, Cuba, Che, and the evils of American capitalism and imperialism. Most of this education/indoctrination is funded by state and federal subsidies. State and federal governments could save millions by moving these political science courses to Cuba, where students and professors could study the benefits of communism first-hand. Housing is much less expensive in Cuba, and political science professors, safe from American capitalism, earn wages more in line with the value of what they teach. Political Science professors of the world unite! Come to Cuba! You have nothing to lose but your chains.*

Broken Borders:

Government, Foreign-Born Workers, and the U.S. Economy

By Benjamin W. Powell, Zachary Gochenour

The U.S. government interferes with the market for foreign laborers by restricting the number and mix of immigrants and setting tight quantitative limits on foreign-born guest workers. This has created a mismatch between the demand for foreign workers from U.S. businesses and their supply, directly leading to the illegal immigration situation we have today.

Despite the [recent] shutdown, immigration reform remains near the top of Congress' agenda. The current system inefficiently limits the gains that our economy could achieve from employing larger numbers of foreign workers, and it disproportionately harms small U.S. businesses.

Senior Fellow Benjamin Powell and Research Fellow Zachary Gochenour's study shows that the economic fears associated with increased guest workers and immigrants are unfounded. Available now. Obtain your copy to learn how to overcome current government limitations and interference. ...

The United States has had a surge of immigration since the 1960s, and immigration accounts for about half of the country's population growth. In 1965, the United States eliminated its country-of-origin quota system that, in some form, had existed since the Chinese Exclusion Act of 1875. A quota system was put in its place for various types of immigrant visas. As of 2013, the quota for family-based green cards is 226,000; for employment-based green cards, 140,000; a green card lottery for 55,000 people; and quotas for non-immigrant visas: 65,000 specialty occupation visas (H-1B) and 66,000 temporary or seasonal workers (H- 2B) with an additional 20,000 advanced degree holders who are exempt from the cap.[1] The U.S. immigration quota is the largest in the world,[2] but the demand for visas far outstrips the avail- able supply under the current quotas. Although the total number of accepted immigrants is larger than in other countries, the United States accepts immigrants only at about half the rate of other developed countries when measuring the proportion of immigrant applicants admitted. Employers of both high-skill and low-skill workers often complain that the current quota system is inadequate to meet their labor needs.

The United States began one of the largest guest worker programs in the world in the 1940s with the creation of the Bracero program, which attracted more than 4.6 million Mexican laborers from 1942 to 1964.[3] The program was extended several times at the behest of American farmers, citing ongoing labor shortages. European countries also experimented with guest worker programs, usually giving foreign workers temporary status, or relatively free border crossing within European Union (EU) member states.[4] Yet even with these programs, developed nations have far more willing workers waiting at the border than their public policies have allowed in, and in many sectors and regions demand for labor far exceeds available laborers under the current quota system.

A literature has developed in labor economics that seeks to find the optimal quota for various employment categories that will meet the labor demand but have a minimal impact on native wages. This literature affects the policy discussion,[5] and many policy proposals use the language of economics to lend themselves gravity. But what does it mean to be optimal? Is the idea of an optimal number even meaningful? How are the current quotas actually determined? How well does the U.S. quota system meet labor demand? ...

Red Card[30] is a policy proposal that would greatly expand the role of the guest worker programs in the United States. Private employment agencies would open offices in foreign countries to facilitate the process. The agencies run background checks, link specific workers to specific jobs, issue smart cards and track workers, and would be responsible for compliance with all U.S. laws. Each worker would carry a card that digitally stores information about that worker and his or her current job: the employer, location, and duration of that worker's stay.

This system has several advantages. The major one is that it does not limit the number of guest workers that could come to the United States. A second major benefit is that, with the quantitative limit removed, the government doesn't have to try to manage the immigrant labor supply across industries. Instead, market forces would be harnessed to dictate the quantity and distribution of guest workers, across industries, geographic space, and time.

As a political matter Red Card has some appeal to immigration critics as well. It is a guest worker program, not an immigration program with a pathway to citizenship. By creating a guaranteed method of accessing available U.S. jobs legally, it should also dry up the demand for today's illegal immigrants, thus encouraging them to return home to apply for legal status without any major U.S. enforcement efforts. The system would enable the U.S. government to monitor and track movements across the U.S. border more effectively, because it would reduce the incentive to cross the border illegally. Furthermore, the use of smart card technology, which links each worker to a particular job, will reduce the costs of monitoring and enforcement, although it is possible that this could suffer from some errors as E-Verify does.

Red Card would also help to eliminate the dis- parity of treatment between large and small businesses. Small businesses could especially benefit because many of the fixed costs of hiring guest workers would be reduced or eliminated by this program. By allowing for relatively unrestricted cross-border labor mobility, Red Card would eliminate the need for companies to relocate jobs to outside the United States due to domestic labor shortages and would allow small businesses to hire locally without special privileges to secure more workers by opening foreign offices. Small businesses would also feel more secure in hiring Red Card holders than migrant workers under the current system, because the technology allows for simple, uniform enforcement. ...

Benjamin Powell is a Senior Fellow at The Independent Institute, Director of the Free Market Institute at Texas Tech University. Dr. Powell received his Ph.D. in economics from George Mason University. He has been Assistant Professor of Economics at San Jose State University and Associate Professor of Economics at Suffolk University. He is the editor of Making Poor Nations Rich.