Economic Policy Matters: Incentives that Drive Mexicans Northward

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The United States has long been considered a nation of immigrants. No matter what region you refer to, only a tiny fraction of the country's population of 308 million would respond affirmatively to the question: "Were your ancestors born in this country?" Waves of immigrants from Europe, Africa, Asia, and Central and South America settled in the U.S. In 1890-1920, an era of high levels of immigration, 20% of the labor force was foreign born, compared with the most recent estimate of 15% (US Census 2007). Laborers were desperately needed in a growing industrial economy that was expanding westward. With more 38.3 million immigrants living in its territory, the U.S. has accepted more immigrants than Russia (12 million) or Germany (10.1 million) (UN 2005 figures, cited in Council on Foreign Relations 2009: 12). During the 1990s, a period of economic prosperity in the U.S., immigrants from Mexico and other countries supplied much of the demand for labor. The trilateral North American Free Trade Agreement (NAFTA) solidified ties among strong trading partners and the implicit move toward a more integrated labor force. However, no common North American immigration policy exists.

During the second half of the 20th century, Mexico was the largest source of immigrants to the U.S. This hardly comes as a surprise, considering that Mexico lost half of its pre-war territory after the 1848 Treaty of Guadalupe Hidalgo, ceding most of what is now the Southwestern United States. Until the establishment of the Border Patrol in 1925, Mexicans often crossed borders between both countries to find employment. Border control enforcement waxed and waned, depending upon the demand for labor in the U.S. Southwest. In the period 1942-1964, under the U.S. Bracero guest worker program, as many as six million Mexicans supplied much-needed agricultural labor to the war economy and in other jobs in the subsequent economic growth (Delano 2006). Many stayed in the U.S., starting families with children who already were U.S. citizens by birthright and acquiring citizenship themselves.

After the Mexican Revolution of 1910, in the name of *tierra y libertad* (land and liberty), the exploitation of the country's abundant natural resources (such as oil) and the land reform of the 1930s under President Cárdenas produced remarkable economic growth (commonly referred to as the "Mexican miracle"), which continued into the 1960s. However, the growth was not coupled with equity, despite the redistributive rhetoric of Mexico's dominant party, the Institutional Revolutionary Party (PRI), which generated one of the sharpest income inequalities in the world and the Americas: a Gini coefficient[1] of 0.481, compared with 0.408 and 0.326 for the U.S. and Canada, respectively (UNDP 2009: Table M, with 2007 figures). In 1980, Mexico's recession, debt crisis, and entry into the General Agreement on Tariff and Trades (GATT) laid the groundwork for the subsequent free trade regime enshrined in the North American Free Trade Agreement of 1994. Meanwhile, in the U.S., after the 1986 Immigration Reform and Control Act (IRCA) granted amnesty and pathways to citizenship for undocumented immigrants, millions of immigrants entered the U.S. without authorization. Many secured jobs and settled in with their families, preparing for long-term residence and perhaps hoping for another amnesty. After the 1990s, estimates put the figure at 12 million undocumented immigrants, despite the relative harshness of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA) (Staudt and Capps 2004). Thus, the relative ease of obtaining employment, coupled with the ineffective immigration law and border control, did not deter migration.

In this paper, we examine Mexican immigration to the U.S. in the 1990s and beyond, focusing on a broad range of national policies and the particular institutions in which they are crafted in both Mexico and the United States. We argue that the long-held U.S. political values that celebrated "bureaucrat bashing" in the 1980s Reagan era and the limited government regulation during the prosperity of the Clinton era in the 1990s generated a demand for low-cost labor, which was supplied by Mexican immigrants. Mexico's policies and the PRI's unfulfilled promises—given persistent poverty which affected half the population, low wages, and the destruction of small-scale farming operations—drove migrants northward. We argue that these macro-level policies in both countries do far more to explain undocumented immigration than the U.S. immigration policy, including the border control policies and their enforcement (on the ineffectiveness of border control enforcement in deterring unauthorized immigration, see Cornelius, this volume). We predict that as North America enters the second decade of the 21st century, the pursuit of potentially contradictory priority goals of economic development and security—amid complex political institutions and values—will continue to shape migration behavior, the rhetorical political minefield of national U.S. immigration reform, and the snail pace of bilateral negotiations on immigration or a North American mobility strategy.

In the body of this paper, we analyze a variety of public policies that shape emigration and immigration, for there is no single consistent economic policy in these two fragmented federal systems of government. Rather, a *laissez faire* template of political and economic values, rather than coherent centralized economic policy, guides labor supply and demand. The Obama administration, amid highly polarized partisan debates, weakly challenged the anti-regulation atmosphere, given the near-collapse of major U.S. economic sectors in 2008 and thereafter. The post-2008 recession generated unusually high unemployment rates in this free-trade regime, further de-industrializing the U.S. and undermining "citizen" workers. In this chapter, we take a political institutional approach to explain the dysfunctions of coherent public policy.

Our outline for this chapter covers the following topics. First, we examine political values, ideologies, and political institutions as long-term determinants of public policy choices. Second, we examine economic and related policies of Mexico as the largest sending country. Third, we analyze the extent of authorized and unauthorized migration from Mexico, along with the politics of recent efforts at immigration reform in the United States. We close with reflections and recommendations for policy reforms.

Institutional Analysis: Long-term Determinants of Public Policy Choices

In this section, we will focus on institutional factors which explain macroeconomic policy in terms of political values, institutions, party issues, and bureaucracies themselves. The analysis also reveals the increasingly profitable privatization and contractor arrangements associated with maintaining the status quo of unreformed immigration policy—a policy disconnected from economic policy choices.

Political Values and Ideologies

In the United States, great value is placed on freedom and limited government control in a capitalist market economy. Government size, growth, and regulation are viewed with dismay, given both the tax burden associated with supporting civil servants and bureaucracy and the limits to freedom—particularly corporate freedom—that regulation implies. The privatization of

[1] According to policy analysts Kraft and Furlong (2010: 272), the Gini coefficient is "a way of demonstrating a nation's income equality and inequality. Income equality is represented by a forty-five degree line, on which each percentage of the population is making the same percentage of the income. As a curve deviates away from the forty-five degree line, it shows an increase in income inequality. The implicit interpretation of the curve is that if a few people are making a large percentage of the income, more people are put at risk of poverty".

public services, through contracts with private corporations, resonates not only with voters, but also with the lobby groups that represent industries with stakes in lucrative contracts. Private corporations pay big money to re-elect their allies in Congress, including border congressmen like Silvestre Reyes (Barry 2009). One key growth industry from unauthorized immigration involves private, for-profit prisons and detention centers that create jobs in regions where they are situated, per-detainee fees to local governments strapped for financial resources, and dividends for investors (Staudt 2009).

In the U.S., the single-member electoral system drives two-party rather than multi-party competition, the latter more common in proportional representation systems with their incentives to seat more ideological parties in proportion to the percentage of votes obtained. Historically, in two-party, single-member systems in the U.S., both parties have aimed toward centrist positions, with the left-of-center Democrats promoting a more proactive government and the right-of-center Republicans promoting more limited, business-friendly government, except for the core commitment to strong military, war, and defense budgets and their private-sector contractors. The so-called wedge issues, such as abortion and immigration, complicate party lines. In high-polarization partisan periods, such as the current one, such issues may stall change.

In Mexico, the multi-party system presents challenges to political leadership and the problem-solving capacity of the state. Loaeza (2006) notes that while the multi-party feature of Mexican political system is one of the most palpable accomplishments of democratization, it has also been one of the main obstacles to policy decision-making. There has been no single-party majority in the Chamber of Deputies since 1997, as once was the case for more than seventy years. In 2000 and thereafter, neither the center-right National Action Party (PAN) nor the center-left Institutional Revolutionary Party (PRI) held a majority of the seats in Mexico's congress. Other parties, such as the left-wing Party of the Democratic Revolution (PRD), the Green Party and the Workers Party, are also represented. The multi-party characteristics of the legislature in Mexico have hindered the ability to pass laws and implement new policies. In addition, the Mexican political system does not allow the reelection of legislators, which hinders the possibility of building seniority and expertise. Moreover, Loaeza (2006) notes that since legislators cannot hope for a direct reelection once their term is over, they depend on the political parties to be considered for future candidacy in upcoming elections. This makes block party voting a common feature of the Mexican system.

U.S. identity politics also figure into party positions. By identity groups we mean Latino, African American, and Asian and Pacific American groups, with corresponding "caucuses" in the U.S. Congress. The largest and growing minority group consists of Latinos, including citizen voters, non-voting permanent residents, and undocumented immigrants. While Latinos typically

vote for Democrats, Republicans have been courting this constituency as well, as evidenced during George W. Bush's term as governor and also his attempts at immigration policy reform in 2004, with the failed bipartisan Kennedy-McCain bill. George W. Bush spoke to crowds in broken Spanish and hired *mariachi* bands at Latino campaign events in what critics viewed as a cynical ploy. Party politicians have become notably more polarized since 2004. There has been a growing rift between the two main wings of the Republican Party; the limited-government, pro-business moderates differ from the xenophobic right wing on various issues, including immigration reform. While most business constituencies seek access to immigrant labor and are resolved to some regulation, they are less visible advocates than they could be, given underlying voter suspicions about job loss to the global economy and home foreclosures in the still minimally-regulated financial-industrial complex.

In Mexico, identity politics differ. One significant difference is the identity of transnationals, including those dual citizens who can vote in both the U.S. and Mexico. The Mexican legislation in 2005 granted Mexicans residing abroad the right to vote. The Federal Electoral Institute (IFE) reports that 35,763 Mexican living in the United States were registered to vote in the 2006 election, and 28,335 actually did so. Although Mexicans in the United States typically vote for the Democratic Party, which is largely considered center-left, in the Mexican elections the majority (about 60 percent) of this tiny constituency (U.S.-based Mexicans who vote in Mexican elections) voted for the conservative PAN. Such inconsistency reaffirms the initial message sent by Mexican immigrants by first "voting with their feet" and then voting against the PRI.

Political Institutions

Unlike many centralized European governments, the federal systems of both the U.S. and Mexico divide authority between national (federal), regional (state), and local (municipal) levels, often with complex negotiations and formulas associated with intergovernmental relations. Each state government—50 in the United States and 31 in Mexico (plus the Federal District)—has its own political cast of characters, institutions, taxing and spending authorities. According to the Migration Policy Institute (MPI), a non-partisan think tank, each year U.S. state legislators introduce more than 1,000 bills dealing with immigration, but fewer than 20% are actually enacted into law (2008), which is typical in the U.S. legislative process. We would also note that state and local courts have bureaucratic stakes in the large caseloads they address, a burdensome responsibility but one associated with increased budgets and staff, including reimbursements from the federal government.

There is no central planning unit or national plan with coherent, relatively stable economic policy in U.S. federal government. Given the enduring political value of "limited government," the introduction of such institutional machinery would be challenged as anti-market or even creeping socialism—a "red-baiting" term akin to "communist" during the Cold War. Of the fifteen cabinet-level federal executive branch departments, each with a myriad of agencies and programs, two are primarily focused on economic policy: the Department of Commerce and the Department of the Treasury, although others also affect economic policies and jobs. The White House and Congress also have budget offices and economic advisors. The Board of Governors for the independent Federal Reserve System, informally known as the Fed, (equivalent to a central bank) makes monetary policy. But the U.S., without coherent industrial or jobs policies, pushes a wide variety of ever-changing contradictory policies based on the prevailing political winds and the ever-present elections, for members of the House of Representatives serve only two-year terms and if they wish to be reelected, must constantly behave and vote accordingly. One of the most famous examples of this type of contradiction is the provision of subsidies to farmers amid free-trade regimes, which includes subsidies to tobacco farmers, while simultaneously deterring cigarette smokers, given the costs of these drugs to health programs and premature deaths, with the concession of warning labels that the Surgeon General deems smoking dangerous to health.

Policy direction changes with each new presidential administration through the political appointment process. The legislative branch, through the Senate, scrutinizes and approves high-level appointees such as cabinet secretaries and the Chairman of the Federal Reserve. With presidential terms of four years, and incumbents being limited to only a second term, the president, his cast of political appointees, and policies can change markedly at the end of a presidential term. Thus, people refer to presidential political eras, such as the Reagan (1981-1988), Clinton (1993-2000), Bush (1989-1992 and 2001–2008, referring to father and son, respectively), and Obama eras.

Like the U.S., Mexico has no central planning, but unlike in the United States, this is due to the historically strong central government. Until the 1980s, Mexico's institutional arrangement involved highly centralized executive power which implemented government functions with the state as the principal agent of modernization (Loaeza 2006). Thus, the state assumed central responsibilities in the promotion and implementation of the model of development. In 1982, Mexico faced a major financial and political crisis which reduced the state capacity for political leadership. The prevailing situation in the country was desperate: inflation reached 100 percent and the public sector deficit was 16 percent of the gross domestic product. As a result of the 1982 economic crisis, the need to design a national development plan arose.

The Immediate Economic Reorganization Program (PIRE) was the first line of commitment to strategic planning with short- and long-term perspectives. Many goals were established in this program, including the lowering of inflation by reducing the public deficit from 16 percent to 8 percent through spending cuts and strengthening sources of income (Lomelí 2007). As part of the PIRE, President Miguel de la Madrid presented the National Development Plan, which established national objectives, strategies, and priorities for his administration. The National Development Plan of Mexico has been set out by all subsequent Mexican presidents with their objectives and strategies in each administration. While it represents the commitment that the federal government provides to the citizens for accountability, there is neither an enforcing agency to ensure the accomplishment of such commitments nor a central agency to oversee whether goals have been accomplished. Rather, it is assumed that all agencies and even local governments will comply with the plan set out by the federal government. This seems unlikely under a highly polarized political system and with a lack of political will to compromise. Moreover, without a formal civil service and with the change in direction from administration to administration there is little, if any, incentive to comply with Plan goals when there is a high possibility that new goals will be established with a new administration and different people will hold different positions.

Mexico: Sending Country Policies

In this section we focus on several public policies that drive migrants to move northward for higher wages, in particular on agrarian reform; regional trade (NAFTA); inequality, poverty, and low wages; tax reform failures; and law enforcement flaws in a system yet to guarantee the "rule of law." The basic political institutions in Mexico and the public policies shaped in these institutions have created dynamics that foster the intended and unintended consequences of stimulating migrants from Mexico to make risky journeys northward toward unauthorized entry into the United States.

Scholars suggest that Mexico became democratic during the 1990s (see Magaloni 2006; Smith 2005), with growing civil society activism, electoral reforms, and victories for candidates from three major political parties. During the 1990s, for the first time since the "Mexican miracle," Mexico experienced macroeconomic stability (Orrentius 2006). In addition, according to Anaya Muñoz (2009: 503), moderate poverty fell from 63.7% to 51.7% and extreme poverty fell from 34% in 1998-2000 to 20.3% in 2002. Despite the slight drop in poverty, under conditions like these people "vote with their feet" to seek higher wages; over the last few decades Mexico has lost at least

10 percent of its prime-working age labor force (Randall 2006). While many of those who leave the country are low-skilled workers, Mexico loses professionals as well, estimated at 20,000 annually since 2000, up from 15,000 annually in the 1990s, which is referred to as the "mounting cost of brain drain" (Paterson 2009). This exodus has dramatically increased from Ciudad Juárez at the northern border, the world's murder capital in 2009–10 (see later section). Conversely, in 2003 more than $13 billion were transferred from the United States as remittances, which now represent the second largest source of income in Mexico, just after oil exports and above tourism (Randall 2006). That figure grew to $24 billion in 2007, an amount greater than the official foreign direct investment (FDI) (Zepeda et al. 2009: 10). Mexico has an interest in maintaining the exit of workers; their absence avoids political demands for more living wage jobs. Remittance senders have moved from once being referred to as traitors who deserted their country to heroes who supply needed capital (Castañeda 2007: 21).

Agrarian Policies

Towards the end of the 1970s, Mexican social and economic policies sought to create a stable modern labor force financed to a lesser extent by the government (Roberts and Escobar Latapi 1997). The system was developed to cover different aspects and needs of a changing society. However, these policies were focused mostly on urban development; few of the policies implemented covered the rural workers. In fact, these policies favored those in formal and stable jobs (Mesa Lago 1978). Subsidies for transportation and housing in the big cities provided incentives for entrepreneurs to locate their industries in the cities (Roberts and Escobar Latapí 1997). In addition, the reform to the IMSS (social security) and the creation of INFONAVIT (housing) and ISSSTE (social security for state workers) sought the participation of the private sector and clearly favored the urban areas. These distributive policies led to rapid urbanization. Hence, the massive population flows during the 1970s to urban areas were able to generate enough formal jobs to internal migrants, reducing the push factors for international migration (Escobar Latapí and Roberts 1991; García 1988; Gregory 1985; Oliveira and Roberts 1994). Indeed, until 1980 the concern was with internal migration; the policy in relation to international immigration was actually a "policy of no policy" (Delano 2006). The Bracero Program was the exception to this policy, but economic reasons pushed the government to negotiate such a program (Delano 2006). Most programs were in fact focused on protecting the migrants (Roberts and Escobar Latapí 1997; Delano 2006), although corruption ensued, as money deducted from workers' pay as ostensible savings and then deposited in the Banco de México never made its way to the workers upon their return to Mexico (Casteñeda 2007: 54).

By the end of the 1980s, rural stagnation was evident. What had changed was the basic structure that once motivated the creation of an economic and social system in which agriculture was pivotal to maintaining political and economic stability. The policies that led Mexico to achieve food self-sufficiency also led to stagnation in the agrarian system. President Carlos Salinas de Gortari (1988-1994) offered to modernize the *ejido* (communal landholdings) through "privatized joint ventures—without fundamentally altering the *campesino* (peasant farmer) way of life" (Franko 1999: 298). This policy only made official what had already been happening; that is, peasants legally rented their land. Even worse, confronting a problem of opportunity cost, *campesinos* were finally able to sell the land that would allow them to survive for a couple of years (Morett Sánchez 2003). Whether they sold to developers or larger landowners, peasants lost a key asset.

Technically, Salinas' offer to modernize the *ejido* represented an improvement because the *campesinos* were now free to improve their lands, but, predictably, it was the wealthy who bought up most of the available land. With no land, the *campesinos* were forced to either work for someone else in the land they previously owned or to migrate. According to Morett Sánchez (2003), 80% of former *ejido* members have migrated. This figure is consistent with data provided by the National Population Council (CONAPO); the annual net influx of migration to the United States has grown from an average of 26,000 to 29,000 people to more than 300,000 people in the 1990s. According to Zepeda et al. (2009: 13), in the early 2000s, this figure increased by half a million annually, whereas agricultural employment rates in Mexico dropped from 8.1 million in 1993 to 5.8 million in 2008, due to the exodus of 2.3 million workers. It would seem that Mexico exports valuable people.

Thus, as the Berlin Wall fell and former socialist countries moved toward capitalism, President Carlos Salinas de Gortari joined the global momentum and reversed Mexican revolutionary principles in several areas—political, economic, and even religious. Salinas reversed the course of revolutionary anticlericalism, struck at most of the all-powerful unions, and privatized most companies formerly owned by the state. In addition, he reversed the principles of the Revolution in the countryside. As Salinas declared in a 1992 speech, "In the past land distribution was a path of justice; today it is unproductive and impoverishing" (quoted in Morett Sánchez 2003). This set the stage for fulfillment of what seemed to be one of Salinas' ultimate goals: the inclusion of Mexico into the North American Free Trade Agreement (NAFTA).

Trade Policy

With NAFTA in place for fifteen years, by 2009, scholars in both countries have started to question the value of this trade policy, especially with regard to the creation of sustainable jobs at living-wage levels. On the surface, NAFTA seemed to benefit Mexico: trade and foreign direct investment (FDI) increased threefold, inflation was reduced and productivity increased—indicators that might well have actually resulted from Mexico's drastic 1994-95 devaluation of the peso, which cheapened wages and thereby increased FDI and export growth during unprecedented U.S. economic prosperity (Zepeda et al. 2009: 12). Most of the NAFTA-created jobs were in manufacturing, particularly in the *maquladoras* (export-processing factories concentrated along the U.S.-Mexico border), but these jobs are linked to the upturns and downturns of the U.S. economy. For example, the decline of the U.S. automobile industry put automobile harness factory workers into serious jeopardy (Miker Palafox 2010).

Scholars have drawn stark conclusions regarding NAFTA's inability to create jobs. "With roughly one million Mexicans entering the labor force each year, the NAFTA model has failed to deliver what Mexico needs the most" (Zepeda et al. 2009: 10). Without immigration to the U.S., Mexico might have faced explosive political consequences. Indeed, drug cartels offer lucrative albeit high-risk income to thousands of young men unable or unwilling to work in unstable *maquiladora* employment for a wage of $40 per week, as we will discuss below in the section on Mexico's inability to maintain public safety and functional law enforcement institutions.

A binational team of scholars at the Pardee Center for the Study of the Longer-Range Future at Boston University notes that a "trade agreement is no substitute for a coherent national development strategy" and "increasing trade and foreign investment will not alone generate dynamic economic development" (Pardee 2009: 2). In yet another insightful conclusion, UC Berkeley professor Harley Shaiken calls the new phenomenon that developed under NAFTA "high-productivity poverty;" low wages do not translate into purchasing power that stimulates the production of consumer goods (quoted in Malkin, 2009: 1A: 4). Stark inequalities between both countries prevail: the GDP per capita is $45,592 in the U.S., but only $9,715 in Mexico (UNDP, 2009: Table M). As of 2010, the legal minimum wage per day in Mexico is $4, at current exchange rates, while the hourly minimum wage in the U.S. is $7.25. Economic migrants are well aware of these differences, prompting migration.

Wage Policy: Real-Wage Stagnation

Despite a social revolution and redistributive rhetoric, Mexican public policy shaped an economic structure wherein half the population lives in "moderate" poverty and a fifth of the population lives in extreme poverty. Poverty levels increased from 52.4 percent in 1994, when NAFTA was signed, to 69 percent in 1996. Between 1998 and 2002, the poverty rates dropped slightly after the Institutional Revolutionary Party (PRI) lost its 71-year control over the presidency and executive branch of government to the conservative National Action Party (PAN) and after the left-wing Party of the Democratic Revolution (PRD) triumphed in Mexico City, the largest urban concentration and bellwether for the nation. However, it is worth noting that shortly thereafter poverty rates increased again, from 42.6 percent in 2006 to 47.4 percent in 2008. Zepeda et al. (2009) note that by opening its economy, the Mexican government made the assumption that it would increase FDI, that foreign companies would source from domestic companies while increasing their capital and technology, and that such increases in technology would lead to an increase in productivity and efficiency which would make domestic firms more profitable and eventually have a spillover effect. Unfortunately, Zepeda et al. note, "a significant portion of FDI went into buying domestic firms rather than establishing new facilities which does not increase the stock of capital" (2009: 8). Moreover, the poor credit system, along with the poor infrastructure, forced many domestic companies to go out of business. Also, FDI in manufacturing has not been sourced from domestic companies as assumed initially; rather, they import components to add some value and export them. Eventually, some firms did become more productive and efficient, but that only allowed domestic firms to require less labor and in the aftermath, the spillover effect became smaller and reduced the rate at which poverty levels dropped.

Slight improvements in living conditions in Mexico have not been enough to reduce great emigration flows. The minimum wage in Mexico divides the country into three zones with a difference of approximately 3 pesos ($0.25) per day (with 57.46, 55.84, and 54.47 pesos being equivalent to about $4 per day based on exchange rates at the time of this writing), which, even after adjusting for differences in prices and exchange rates using purchasing power parities (PPPs), is equivalent to just about $0.72 per hour (Immervoll 2007). Although these wage differentials can certainly stimulate some internal migration within Mexico, the reality of the labor market makes the United States a more attractive destination.

The Mexican economy has rarely produced enough employment for its growing population. In the bid to attract foreign investment and decentralize its industry, Mexico initiated the Border Industrialization Program in the mid-1960s. Simultaneously, the country began to attract more foreign investment from firms seeking low-cost labor. At its high point in 2000, Mexico's largest border city Ciudad Juárez employed a quarter of a million workers in export-processing factories. At the U.S.-Mexico border, hundreds of export-processing factories owned by U.S. (75% of the total), Canadian, Japanese and European firms pay little more than Mexico's legal minimum wage plus benefits (see selections in Staudt, Monárrez, and Fuentes, 2010). In manufacturing, figures from 2007 document that U.S. manufacturing jobs pay 5.8 times more than those in Mexico, a higher differential than in 1993 (Zepeda et al. 2009: 14). Under free trade regimes, the home countries of these foreign investors and the global community are free to pay wages that perpetuate highly disparate inequalities between both nations.

Even though wages are only slightly higher, real minimum wages have fallen 25 percent (Zepeda et al. 2009: 14). Despite this, real wages are still higher than what they would be had there been no emigration. Orrentius (2006) points out that Mexican emigration is a self-selected processes in which the people at the lower and higher ends of the income distribution scale usually do not migrate, the former because of a lack of resources and the latter because skills are usually not transferable. This dynamic forces the supply of labor to shift inward which in turn pushes wages up. The neoclassical models predicting that wages in different regions equalize after cost-of-living adjustment is driven precisely by the assumption of a perfectly mobile labor force.

Tax Policy

Mexico has historically been an inefficient tax collector, with about 15 percent of Mexico's GDP in tax collection, compared with 36% in OECD countries. Zepeda et al. (2009: 9) note that Mexico still obtains 30% of its revenue from the state-owned petroleum company and that the rich pay little tax. According to data from the United Nations Public Administration Network (UNPAN), tax revenue in 2000 was 16.1 percent of the GDP, while in the same year Canada collected 36.4 and the U.S. 28.3 percent, and other Latin American developing countries such as Brazil and Chile collected 29.3 and 19.1 percent, respectively. According to Mayer-Sierra (2006), Mexican governments in general, despite their rhetorical redistributive ideology, have faced resistance when they try to promote tax reforms and that tax rates for consumption in the U.S. are actually lower than in most developed countries. Because of the high concentration of wealth, an increase of taxes would affect mainly the richest 10 percent of the country, who contribute about 37 percent of the taxes collected.

Although most income collection comes from the wealthiest minority, this figure does not reflect the reality of the Mexican wealthy, who, helped by a weak and deficient tax administration, simply seek legal advice to minimize their tax obligations or take their investments outside the country (Mayer-Sierra 2006; Przeworki 1998). Indeed, the weak tax structure undermines the ability of the Mexican government to create an infrastructure that could retain the influx of immigrants. Thus, those who might benefit from a tax reform—i.e., from more tax collected from the wealthy for redistributive purposes—are either politically dispersed or politically underrepresented. The change of the composition in the legislative power after 2000 has been unable to achieve a profound tax reform due to a lack of a party majority in Congress (Mayer-Sierra 2006).

Lack of Public Safety, Insecurity, and Problematic Law Enforcement Institutions

The lack of public security is another factor that drives migrants northward. Police at the municipal and state levels have long operated with impunity, making many residents reluctant to report crime. Immediately adjacent to the United States (the largest drug-consuming population), Mexican drug cartels have become major suppliers in this lucrative trade (Payan 2006). Corruption is deeply embedded in law enforcement institutions (see selections in Cornelius and Shirk 2007). According to Transparency International, which produces an annual Corruption Perceptions Index on a 1-10 scale from high to low corruption, 2009 scores show Mexico at 3.3, the United States at 7.5, Canada at 8.7 (and Germany at 8).

Migrants flee from poverty, impunity, and a lack of security. Their journeys are fraught with crime, including rape and theft from official and criminal sources (see selections in Staudt, Payan and Kruszewski 2009). Harsh U.S. border control policies, including blockades in the major urban areas of El Paso, Texas and the Southern California/San Diego area, have funneled migrants toward less populated desert regions where heat and lack of water have led to approximately 300 "policy-induced deaths" (Staudt 2009: Ch. 1) annually, or a total of 4,600 deaths since the early 1990s (when counting identified bodies). Thus, with only weak commitment to the rule of law in Mexico, coupled with the economic and wage magnets pulling migrants northward, immigration continues.

The U.S.-Mexico border has been a major gateway for drug trafficking into the United States. For decades, with a nod from corrupt forces in government, the border center point of Ciudad Juárez became the infamous location of femicides (i.e., misogynist rape-mutilation murders), with little response from police forces (Staudt 2008). With an overall annual homicide rate running at 200–300, after 2007 the number of execution-style murders skyrocketed to 1,600 in 2008 and 2,600 in 2009. Despite (or perhaps because of) Mexico's military presence, the city of 1.5 million people became the world's murder capital, worse than Baghdad. Both the U.S. and Mexico have responded with border militarization strategies and Juarenses have begun to flee, including middle-income residents and small business owners, with numbers estimated to be 30,000–100,000 people and a quarter of empty housing stock.

Migrants with money to invest are eligible for special U.S. visas and a fast track to legal permanent residency. Others blend in to the shadows with local visas (ostensibly for shopping in the borderlands), travel visas, and/or undocumented status—hoping for the violence and impunity to end or for immigration reform in the United States.

Authorized and Unauthorized Migration from Mexico: Why Reform?

Figures on immigration—or "numeric metaphors" which can serve as a powerful force for political pressure, as Deborah Stone (1997) notes—fuel debates among both proponents and opponents of immigration and the reigning coalition of political representatives in the U.S. Congress and state legislatures. According to recent figures from the Office of Immigration Statistics, 8.15 million legal permanent residents (i.e., legal immigrants) are eligible to naturalize as citizens, 34% of them born in Mexico (U.S. Department of Homeland Security 2007: 3, 4) and 11.6 million unauthorized immigrants lived in the U.S. in 2008, a slight decrease from 2007, 61% of whom are from Mexico. Among the fifty states, the two largest states of residence for unauthorized immigrants are California and Texas, at 2.85 and 1.68 million, respectively (U.S. Department of Homeland Security 2008: 3, 4). Both documented and undocumented immigrants are workers, taxpayers and consumers of commercial products and public benefits.

Policy analysts frequently use cost-benefit or efficiency arguments to make or contest their cases for policy choices. According to a study from the Congressional Budget Office (CBO), unauthorized immigrants work in the formal labor force (as opposed to the underground, informal economy), pay taxes, and approximately half of them pay into the Social Security system, even though an underground market in identity documents means that some are paying into accounts other than their own. That same CBO document indicates that unauthorized immigrants may burden state and local government more, given the U.S. constitutional delegation of many government functions to those levels (U.S. Congressional Budget Office 2007). The burdens fall heaviest on education funding and schools (Ibid.). However, the results of the CBO study may be challenged on the grounds that it fails to account for property taxes and state income taxes that provide primary fund-

ing for schools. Also, it must be noted that many immigrants' children were born in the United States and therefore are U.S. citizens by birth. Finally, many negative externalities are borne by undocumented immigrants themselves who, for example, avoid reporting crime or seeking health care due to anxieties about putting their households at risk of deportation.

A more detailed study conducted by the Texas State Comptroller's office (2006) in the second-largest immigrant-receiving state, goes beyond the CBO approach of cost-benefit analysis in public service terms to the overall impact on economy. While acknowledging the burdens on local property taxpayers (in a state without a state income tax), the Comptroller's careful study shows that the overall state economy benefited by $17 billion due to the presence of undocumented immigrants. It must be noted that this study was released just a month after a highly contentious gubernatorial election with five candidates (in a plurality system) in which the State Comptroller was a candidate who echoed the same hard-line anti-immigrant border control message as her competitors. In elections with citizen-only voters, it is often convenient to scapegoat non-citizen populations.

The U.S. undergoes major immigration reforms every ten or twenty years, with minor reforms in between. The previously mentioned IRCA of 1986, developed during the Reagan administration in a bipartisan manner, provided both for amnesty if undocumented residents could show evidence of residency within a certain time period and, ostensibly, for employer sanctions if people are hired without legal authorization to work. This dramatic policy change was the first time that the principle of employer burdens had been established, with legal consequences. However, the enforcement of employer sanctions was extremely limited and underfunded. Moreover, in an advanced capitalist economy like the U.S., a cottage industry developed in false documents. "Market" solutions for policy failures had long been fine-tuned arts.

In 2000, with the simultaneous elections of Presidents Bush and Fox in the U.S. and Mexico, respectively, negotiations were in motion for a bilateral immigration approach. Such an approach was long overdue, given the importance of Mexico and the U.S. not only as major trading partners, but also as—in migration terms—the major sender and recipient countries in North America (see discussions in Castañeda 2007). However, with the tragedy of the attacks of September 11, 2001 (informally referred to as "9/11"), negotiations came to a halt, and the U.S. moved toward shoring up its borders and against pursuing immigrant-friendly policies. In fact, one and a half months after the incidents of September 11, President Bush brought security and immigration issues together in the Homeland Security Presidential Directive 2, "Combating Terrorism Through Immigration Policies," issued October 29, 2001. An era of sharp increases in border security budgets, staff, and harsh enforcement began. Irresponsible media commentators linked immigrants with terrorists in an atmosphere of public fear.

Military planning and institutions supplemented North American free trade cooperation in the name of the Security and Prosperity Partnership. The U.S. Northern Command (USNORTHCOM), created in October 2002, established a security space larger than North America, from the Caribbean to the Arctic Sea. After the Bush administration ended, the Partnership diminished, although the North American heads of state (Canada, Mexico, and the U.S.) meet annually at trilateral summits, the last of which took place in Guadalajara, Mexico in 2009. A North American Union (NAU) (see Staudt and Coronado 2002), complete with mobility for people and commerce, a common currency, and funding for pockets of poverty, seems distant. Obstacles remain, among them sovereignty concerns, high levels of inequality, and xenophobic racism. However, trade relations remain important, with militarized notions of security lurking in the background, from bilateral agreements between the U.S. and Canada to the Mérida Initiative between the U.S. and Mexico, which aims to supply technology and training to Mexico in its "War on Drugs" in the trilateral North American region.

Toward the end of his first term, President Bush favored a temporary guest worker program with revenue-generating fees and fines, and a bipartisan effort to support immigration reform was launched in the U.S. Senate under the McCain-Kennedy bill in 2004. Meanwhile, the extreme right wing of the Republican Party developed harsh anti-immigrant measures, authored by Wisconsin Congressman James Sensenbrenner and passed by the U.S. House of Representatives as H.R. 4437. More "politics of fear" took hold, the media lumping together crime, terror, and drugs and politicians using the large figure of 12 million undocumented immigrants to suggest that the U.S. could not control its borders. Sensenbrenner's bill not only called for deporting all undocumented immigrants, but also for penalizing those who assisted them. These threats to human rights and freedoms in themselves produced backlash, as large proportion of the public questioned the ever-growing intrusion of government into their daily lives and a possible police state atmosphere, perhaps resulting in the criminalization of teachers, non-profit staff, and clergy. An important political value remained: limited government intrusion into people's personal lives.

Business had substantial stakes in the large low-cost labor force immigrants provide. According to the U.S. Chamber of Commerce, which opposes extensive workplace enforcement,

"Experts estimate there may be as many as 10 million undocumented workers throughout the country who are working hard and performing tasks that most Americans take for granted but won't do themselves, in such industries as construction, landscaping, health care, restaurants and hotels and others. The combination of a need for workers and an inadequate immigration system has caused an unacceptable status quo. By not creating adequate legal avenues for hiring foreign workers and not addressing the status of workers already here, Congress and this administration are not fully safeguarding the economy for the future" (cited in Texas Conservative Coalition Research Institute 2007).

Currently, the U.S. Chamber of Commerce's position celebrates the contributions of immigrants to the U.S. economy and promotes immigration reform to include a pathway to legalization for law-abiding residents. It is critical of the current impasse, citing "delays, backlogs, and disruptions in our immigration and border management systems that impede the movement of legitimate cargo and travelers across U.S. borders."

After 2004 and especially 2008, partisan politics in the U.S. Congress became more polarized, and moderate Republicans and conservative Democrats aimed to assuage and appease the xenophobia in parts of the public and media, who were still smarting after the September 11 attacks. New York Senator Schumer's enforcement-oriented immigration reform bill of 2007 failed, but as Mexican, U.S.-based political scientist Jorge Castañeda notes, "once they were defeated, the concessions to the right wing remained and were put in effect, while the substance of the reforms disappeared" (Castañeda 2008: 131). The only congressional achievement of the era was the Secure Fence Act of 2007, authorizing the multi-billion dollar construction of nearly 700 miles of border wall, which turned out to be a boon to private, for-profit building and defense contractors, like the increased budgets for Department of Homeland Security to purchase surveillance equipment. Elsewhere, Staudt, Payan, and Dunn (2009) have analyzed the "Border Security Industrial Complex," (BSIC) developing the language from former President Eisenhower's parting warnings about the "military-industrial complex". U.S. militarization strategies offer a market niche for contracted enforcement and detention facilities while maintaining the appearance of limited government.

While segments of the economy, and certainly the security-oriented bureaucratic agencies, benefited from the fear and the ensuing budgetary increases and private contracts, it became clear that policy action was necessary. Under the harsh enforcement years since the September 11 attacks (and, some could argue, since the Immigration Reform and Control Act of 1986), many human rights abuses occurred, including deportations of non-criminals, workplace raids, a growth in for-profit detention facilities, family separations, and deaths in detention facilities (Staudt 2009). Valiant non-profit organizations filed charges and spread awareness of offenses, but human rights have little traction in U.S. domestic politics.

With the presidential and party transition that took place with the election of Obama in 2008, a new era began in 2009, as the U.S. economy started its slow recovery from recession and unemployment, yet continued the weary war economy, defense and related private contractor expenses. New political constituencies emerged, but immigration policy reform was put on hold while addressing the election priorities of bank and automobile industry restructuring, health-care policy reform, and the expansion of war on yet another front (Afghanistan), leaving immigration reform for 2010 or thereafter. It is up to the weak human rights and the strong business constituencies (the latter being reluctant to push immigration too visibly) to cultivate bipartisan support for immigration policy change.

Concluding Reflections

In the U.S. and Mexico, there is no single economic policy on which to focus. Rather, multiple economic policies have impacts on migration to the United States and on the extent to which ever-changing immigration laws are enforced. In this complex institutional and political environment, economic policies continue to attract and stimulate migration.

In this chapter, we have analyzed public policies that motivate Mexicans to migrate northward to the United States. There are more motivations for people to migrate than to stay: agrarian policies which render small-scale farming unviable, public investment that favors urban over rural areas, a lack of political will to collect taxes that redistribute income more fairly to ensure decent wages for the majority, and a lack of public security, coupled with dishonest and corrupt law enforcement institutions. Mexican immigrants seek to enter an economic system that draws them through a multiple set of attractive policies and practices: demand for labor, available jobs, unenforced employer sanctions, and limited government enforcement that favors business autonomy and allows people to live in the shadows, albeit with risks of deportation, detention, and family separation.

It has been possible for millions of migrants to settle in the United States and become lawful permanent residents. Many await an immigration reform that offers a pathway to citizenship or genuine economic development and institutional reforms in Mexico to enable their return. U.S. immigration policies represent a necessary, but insufficient deterrent to the northward movement of immigrants from Mexico. Control-oriented policies strengthen bureaucracies and their budgets but cannot totally regulate people's movement in face of the economic policies and practices stressed in this chapter.

The policies fail to solve problems. Policies are deeply rooted in the contexts of both states, in which seemingly irrational policies and practices emerge and sustain.

The most important policy recommendation from this analysis is to address the extreme inequalities within Mexico and between Mexico and the United States. Thus, policy solutions would involve national, binational, and trilateral North American policy reform and transformation. As long as half or more of the Mexican population lives in poverty, higher wages will remain a magnet that draws people northward. The current minimum wage in Mexico is artificially low. Foreign investors are all too eager to take advantage of low labor costs, perhaps ready to relocate business to China and elsewhere if wages increase. However, the country's proximity to the U.S. and its population of 111 million end consumers are good reasons to raise Mexican minimum wages and the wages that North American-based global corporations pay in Mexico. The more Mexico is enabled to grow economically, with more equity, the greater the likelihood that Mexicans will avoid perilous journeys and a precarious life in fear as illegal workers in the United States.

In the U.S., business interests often prevail, regardless of which party is in power. The Council on Foreign Relations (2009) concludes that the ultimate security is economic prosperity, and public policies will emerge to enhance economic growth in North America. Time will tell whether political and institutional factors will continue the prevailing impasse in public policies that drives migrants and draws immigrants: the short-term benefits of low-cost and immigrant labor to U.S. corporations and the continuing delays in the Mexican government's efforts to reduce poverty, raise wages, and secure everyday safety for the country's citizens.

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