Some Causes, Common Fears, and the Economic Impact of Immigration from Latin America on the U.S.

Joshua Fohner

Follow this and additional works at: https://digitalcommons.bard.edu/levy_ms

Part of the Economics Commons

Recommended Citation
https://digitalcommons.bard.edu/levy_ms/41

This Open Access is brought to you for free and open access by the Levy Economics Institute of Bard College at Bard Digital Commons. It has been accepted for inclusion in Theses - Graduate Programs in Economic Theory and Policy by an authorized administrator of Bard Digital Commons. For more information, please contact digitalcommons@bard.edu.
Some Causes, Common Fears, and the Economic Impact of Immigration from Latin America on the U.S.

MA Research Paper submitted to Levy Economics Institute of Bard College

By Joshua Fohner

Annandale-on-Hudson, New York May 2022
PLAGIARISM STATEMENT

I have written this project using my own words and ideas, except otherwise indicated. I have subsequently attributed each word, idea, figure and table which is not my own to their respective authors. I am aware that paraphrasing is plagiarism unless the source is duly acknowledged. I understand that the incorporation of material from other works without acknowledgment will be treated as plagiarism. I have read and understand the Levy Economics Institute of Bard College statement on plagiarism and academic honesty as well as the relevant pages in the Student Handbook.

Name: Joshua Lee Koo Min Fohner

Date: 10 May 2022
Abstract

Recently there has been a sharp increase in the promotion of anti-immigration rhetoric and sentiments driven by former President Trump and conservative lawmakers in Washington. These attitudes have led some members of the public to adopt various beliefs of immigrants that are negative or poorly understood. The focus of this paper will be primarily on people from Mexico and other Latin American nations, as people from this part of the world have been primarily the target of these beliefs. This paper will first analyze some of the social and political reasons why people choose to emigrate from their home countries. Second, it will address these negative or poorly grounded beliefs about immigrants. And lastly, it will give suggestions on what possible policies that US lawmakers can adopt to make the situation beneficial for all parties involved.

Keywords: Immigration; Labour Mobility; Immigration Law; Social Policy; Illegal Actions

JEL Classifications: J60, J61, K37, K42
# Table of Contents

Introduction.........................................................................................................................4

Why Do People Choose To Come To The USA?.................................................................4

What Are Some Common Fears, And Do They Have Any Merit?.................................8

What Are Policies That The USA Can Implement To Make The Process Better?..........12

Conclusion........................................................................................................................14

References..........................................................................................................................16
Introduction

One debate that has been a significant topic of discussion for economics and lawmakers in Washington is the effects that immigration has on the US economy. This is especially the case recently regarding undocumented immigrants who primarily originate from Latin American nations, often the main target of these fears, Mexico. Former President Trump and other Republican lawmakers especially have been vocal in promoting fears that these immigrants create negative consequences for the USA’s economy and citizens. These fears then are propagated in the public discussion and contribute to anti-immigrant sentiments. This paper will first provide some historical context starting in the 20th century for some reasons why people from Mexico and Latin America would immigrate to the United States. Second, it will address some of the common fears and beliefs that policymakers and the public hold about the effects of immigrants on the United States. And lastly, it will provide a general overview of possible policy solutions that would create a more equitable situation for all parties involved.

Why Do People Choose To Come To The USA?

There are many reasons why individuals decide to immigrate to the United States, but generally, it relates to (1) finding employment or better employment, (2) safety and stability, and (3) overall having a better life for themselves and their families. However, each reason does not have a single root cause but is caused by a complex myriad of political and social elements that have compounded over time. In the case of Mexico and many other Latin American nations, the political and social climate of these countries today can be traced back to some level of foreign intervention in the country’s history from its days as a colonial possession by a European power to today as an independent nation. Yet, starting in the 20th century, probably the nation that has had the largest impact on the social and political climate of Latin American nations was the USA.

One reason for US intervention into Latin America during the start of the 19th century was economically driven by private companies from the US. Probably the most prominent and well-known example of this is the establishment of what we know as “Banana Republics.” The start of these banana republics began with US fruit companies such as United Fruit Co. (now
known as Chiquita) which established a business presence in these countries. In exchange for certain economic privileges such as land grants and tax benefits, these fruit companies promised the government of these nations that they would set up and establish vital infrastructure (i.e. roads, railroads, ports, communication, etc) to connect the nation and allow for the ease of trade. However, in many cases, these fruit companies would not build infrastructure to connect the various isolated areas of the country and would only establish transportation that connected their fruit plantations to ports. In the case of Honduras (some consider it the first banana republic), one of the leading fruit companies was Cuyamel. By 1911, the nation’s debt became too burdensome, so the US government arranged a debt refinance offer with J.P Morgan & Company that would be repaid in the form of custom receipts. However, the leader of Cuyamel, Samuel Zemurry, did not like the prospect of having to pay customs fees, so he helped fund the former president of Honduras, Manuel Bonilla, to raise a rebel group to overthrow the current president, which they did by the end of the year.¹

This trend in which US companies gained great influence and power in the governments of Latin American nations spread rapidly during the first decades of the 1900s. Similarly, this situation happened in Colombia in 1928. Due to poor working conditions (i.e long hours and poor pay), workers started to strike against The United Fruit Company on the 5th of October, which resulted in an immediate mobilization of the military. One day later, the workers presented a list of nine demands to the company. This strike went on until December of that year until an offer from the governor of Magdalena to negotiate an end to the strike. But, when the workers and their families assembled to negotiate their demands, the military opened fire, resulting in the murder of more than 1000 workers.² This horrific event demonstrated the lengths that were used to maintain profits and control.

However, with the end of World War II and the beginning of the Cold War, fears of communist revolutions gripped the western world. This signaled the beginning of intense US government intervention in the affairs of Latin America, which further aided companies to continue to expand their power and reach. In Guatemala, up until the 1940s, the US fruit companies

practically had free rein. However, in 1945 there was a power shift, resulting in the election of Juan José Arévalo as president. During his presidency, Arévalo enacted new labor laws that promoted workers’ unions, and in 1948 prompted a nationwide strike against the United Fruit company. These actions were viewed unfavorably by the company and the elite of the nation, causing the company to promote anti-communist propaganda.\(^3\)

The next president of Guatemala, Jacobo Arbenz, took office in 1951 and continued to reform the law to benefit the people. His main policy was a land redistribution campaign, specifically land that was left fallow. Approximately ¾ of the land United Fruit Co. owned lay fallow. On the 17th of June 1952, Arbenz issued decree 900 that allowed the government to appropriate unused land from farms that were over 233 acres to the peasantry. This act redistributed over 100,000 acres of land. The government did reimburse the owners based on the value that the owners declared on their taxes, but as a result of United Fruit Co. undervaluing their land to avoid taxes, they received only a fraction of what it was worth. This policy caused the United Fruit Company to launch a massive smear campaign that portrayed Arbenz as a communist, as his cabinet had communist party members. The campaign entailed gaining public and US government support. This resulted in the US State Department telling the Guatemalan government that it should compensate the company 16 million dollars, but by 1953 US president Eisenhower green-lit the approval to overthrow the legitimate government of Guatemala that was democratically elected. In 1954, US-backed mercenaries trained in Honduras began their attempt to overthrow the government. Overall this attempt went poorly, as the Guatemalan government was able to drive the mercenaries back to Honduras. However, this event achieved its goal by destabilizing the country which would result in a civil war that would start in 1960 and last until 1996, claiming the lives of approximately 200,000 people, including tens of thousands of indigenous people, who were Maya. President Arbenz resigned after the coup attempt but stated in an address to the nation before the coup, “Our only crime consisted of decreeing our own laws and applying them to all without exception.” \(^4\)

As stated before, one of the primary reasons why many choose to immigrate to the US has to do with unsafe living conditions caused by the prominence of the drug cartels. Within Mexico, one

\(^4\) Ibid
explanation for how the cartels gained so much power has to do in part with the country’s political structure. Throughout the majority of the 20th century, the ruling political party was the Institutional Revolutionary Party (PRI). Under the party’s rule, the political structure became heavily centralized, which allowed for the cartels to easily buy-off government officials to look the other way when the cartels did their business.\textsuperscript{5}

Additionally, one cannot dismiss the role the US government had in promoting the cartels’ rise to prominence directly or indirectly with the start of the War on Drugs in 1971 by the Nixon administration. During the 1980s, because the US government had tried to curb drug use by enacting heavy penalties, the drug smuggling networks in the Caribbean used by South American cartels collapsed. Despite this win, South American cartels began to shift distribution through Mexico. The Mexican cartels already had a significant level of influence over government officials, and the environment further deteriorated, making the living situation more unsafe for people and their families.\textsuperscript{6}

And lastly, another cause that can be attributed to the instability in Latin America during the past and present is their heavy reliance on a single or at most a select handful of specific commodities for export. This mono-commodity or near mono-commodity style economy was seen in the banana republics of the 20th century, but there is also evidence for this during the period of colonization of Latin America as some of these now modern nations primarily exported a single or small selection of commodities such as sugar, silver, and gold. Marian Radetzki and Linda Warell examine this issue of mono-commodity reliance in their book, \textit{A Handbook of Primary Commodities in a Global Market (3rd ed.)}. They wrote that countries that are or near to mono-economies tend to suffer from greater instability due to being subjected to international market forces more severely. They also note that this reliance on a single or a few commodities makes a country's economy smaller in comparison to nations that diversify their exports. They state that Venezuela is one nation that has suffered extreme economic turmoil due to its economy relying primarily on petroleum or petroleum-based products, adding that it accounted for 90 percent of all exports from 2013-2017. However, Radetzki and Warell also say that mono or near mono-commodity production is not necessarily detrimental to a nation if they

\textsuperscript{6}Ibid
maintain a competitive advantage. Nations that lose that edge will face economic turmoil. As a result, they will either need to innovate to reclaim that advantage or diversify into other markets.\footnote{Radetzki, Marian, and Warell, Linda. "A Handbook of Primary Commodities in a Global Market (3rd ed.)." Cambridge University Press. 2020. 256-287}

Today, the US government and US private firms have and still continue to leave a negative impact on the shaping of the social and political framework of Mexico and Latin America, but despite this, the United States is still viewed as a place where someone can prosper and flourish. However, one cannot disregard the heavy reliance on a single or at most a select handful of commodities that destabilized these nations’ societies.

\textbf{What Are Some Common Fears, And Do They Have Any Merit?}

Before we analyze if there is any merit to some of the fears that circulate in the general public, it is important to address and remember that over recent years, there has been an increase in xenophobic rhetoric and sentiments fueled by former President Trump and the Republican party, who have at times promoted these beliefs.

A recent example of this racist and xenophobic behavior directed toward the people of Mexico was seen in the push of the Trump administration in expanding the US-Mexico border wall. Trump claimed that the border wall expansion would only cost the US government approximately $12 billion\footnote{Felbab-Brown, Vanda. \textit{The Wall: The real costs of a barrier between the United States and Mexico.} Brookings Institute. 2017 \url{https://www.brookings.edu/essay/the-wall-the-real-costs-of-a-barrier-between-the-united-states-and-mexico/}} dollars and promised that the Mexican government would foot the bill. However, Trump’s estimate is an understatement, as the Department for Homeland Security reported it could cost upwards of $25 billion dollars and others place it even higher. One method that Trump wanted to use to make Mexico pay for the wall was to seize remittances. This seizure of remittances would be a cruel and devastating act toward workers and their families still in Mexico. The Brookings Institute notes that research conducted by the Mexican agency CONEVAL in 2015 estimated that these remittance payments account for approximately 80% of income for those in poverty and that every year between $20-25 billion dollars is sent back yearly which accounts for approximately 3% of Mexico’s GDP.\footnote{Despite the lack of economic benefit}
to expanding the US-Mexico border wall, Trump’s drive to expand the wall is linked with his own, his supporters, and the Republican party’s racist ideology reflected in comments. Trump himself at one point said, “They’re sending people that have lots of problems, and they’re bringing those problems with us. They’re bringing drugs. They’re bringing crime. They’re rapists.”

And although this paper focuses on immigration from Mexico and other Latin American nations, it is important to note that this xenophobic attitude and rhetoric has also increased towards other people who are not from Mexico or other Latin American nations. Trump reportedly, at a meeting, referred to African nations as “shithole countries” and remarked that immigrants from countries such as Norway were better. It is important to also note that Trump also directed this comment at Latin American nations, specifically Haiti and El Salvador. Similarly, anti-Asian sentiments directed at people from Southeast and East Asia have sharply increased since the beginning of the COVID-19 pandemic, which was first detected in the Chinese city of Wuhan. Trump has made remarks referring to the virus on Twitter as “the Chinese Virus,” and he referred to it as “Kung flu” at a rally in Phoenix, Arizona. The Republican party has also echoed these sentiments as several Republican senators have referred to the virus as the “Wuhan Virus.” This blame directed at the descendants and people from Southeast or East Asia has led to violent attacks on Asian people, which resulted in the death of an Asian person.

With this in mind, we will now turn to discuss some of the common fears or claims that people hold about immigrants. Probably two of the most common claims made about primarily undocumented immigrants are that they take away resources and use public services meant for the native population (e.g. healthcare, Food Stamps/Snap, and public education), all while not contributing to the funding of these services. However, these services are federally funded and are generally unavailable to undocumented immigrants, and even those immigrants who reside in the US lawfully are heavily restricted and must meet certain criteria before accessing these services. However, certain programs such as *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)*, is also federally funded, but WIC does not require individuals to disclose their citizenship or residential status.\(^{15}\)

Public education (K-12) is also guaranteed to children who are deemed to be residing in the US unlawfully. This is due to in 1975 the Texas legislature changed their education laws that allowed for the denial of enrollment in public schools and the withholding of funding to children who were not considered to be residing lawfully in the US. These revisions in Texas education law were primarily directed at children who came from Mexico. This resulted in a class-action lawsuit which was eventually brought before the Supreme Court in the case of *Plyler V. Doe*. In 1982, the SCOTUS ruled 5-4 that Texas’s revisions to their educational laws violated the Equal Protection Clause in the 14th Amendment of the US Constitution.\(^{16}\) This ruling has also influenced and set the precedent for undocumented immigrants trying to access higher education (college), as there are no federal or state requirements that make individuals disclose their residential status. However, undocumented immigrants are unable to access certain benefits that would be available to US citizens, including in-state tuition rates and financial aid.\(^{17}\)

Some also believe that undocumented immigrants do not pay taxes. This statement is easily disproved just by the fact that when they buy something at a store they pay sales tax, and similarly, when they rent a property. Also, in a report done by The George W. Bush Institute, they cite that 50-75 percent of undocumented immigrants pay federal income taxes in some way.


They also add that The Institute on Taxation and Economic Policy estimated that in 2014 undocumented immigrants contributed approximately \textit{11.7 billion} dollars in state and local funding and that the New American Economy estimated that between the years of 2004 and 2014, undocumented immigrants contributed \textit{100 billion} to Social Security and \textit{35 billion} to Medicare.\textsuperscript{18}

Two other common beliefs are that documented and undocumented immigrants take jobs away from the native population and drive wages down. There has been a significant amount of research done into the claim that immigrants drive wages down for the native population. Research done by the IZA-Institute of Labor Economics found that immigrants have little to no effect on the wages of native workers.\textsuperscript{19} This seems to be the general consensus, as a journal article from the Cato Institute by Alan de Brauw, a Senior Research Fellow for the International Food Policy Research Institute, reported similar findings.\textsuperscript{20} In regards to the question of whether immigrants take jobs away from the native population, research conducted by the Pew Research Center found that the majority of US adult citizens believe that immigrants tend to take jobs that US citizens do not want to hold. An interesting note from this research is that approximately 88\% of Hispanics believe that undocumented immigrants hold jobs that most US citizens do not want. Additionally, the Pew Research Center found that this issue tends to be partisan and also related to the education of the individual.\textsuperscript{21}

\textsuperscript{21} Krogstad M. Jens, Lopez H. Mark, and Passel S. Jeffrey. “A majority of Americans say immigrants mostly fill jobs U.S. citizens do not want.” Washington, DC: Pew Research Center. 2020. \url{https://www.pewresearch.org/fact-tank/2020/06/10/a-majority-of-americans-say-immigrants-mostly-fill-jobs-u-s-citizens-do-not-want/}; This research supports the experience of living in rural North Carolina. Agriculture is a significant portion of the local economy, and there tends to be major racial biases. The vast majority of the workers who tended to the fields (planting and harvesting) were people not working legally, and the vast majority originated primarily from Mexico. One of the main arguments heard against immigrants was the belief that they take jobs away from the native population (in this case, agriculture). When asked why the local population does not do it, the typical response was “doesn’t pay enough” or “I don’t want to do it.” In response, “Why does it matter if they are doing those jobs?” would be asked. Also, along with this discussion, the question of “Do you like your tomatoes at .49 cents a pound? Because those immigrants who are in the fields are allowing that.” would also be asked. By this point, the other person would disengage from the conversation as they realized their argument was illogical.
Immigrants play a significant role in local economies and the economy as a whole. Racial biases and poor understanding increase anti-immigration beliefs. Making it easier for immigrants to work legally would cause the prices of certain commodities to increase, but it would help eliminate the claim of immigrants not contributing to society and the funding to maintain it. This topic of immigrants in agricultural work will be discussed further in the next section, which discusses some policy proposals.

**What Are Policies That The USA Can Implement To Make The Process Better?**

It is important to understand that when people from Mexico or other Latin American nations cross into the United States illegally, it is not a simple task as just walking across an imaginary line. This dangerous journey has claimed thousands of lives since the mid-1990s. The number of deaths vary among those who are counting, but a Congressional Research Service report estimates that between the years 1998-2015 approximately 6,600 people have died in the crossing attempt.22 It is clear that families and individuals take on a great deal of risk in crossing the US-Mexico border in order to have a better life and achieve the “American Dream.” With the previous being said, this leaves the question of what policies and programs can be enacted by the USA to make this situation for US and Mexican citizens more equitable and beneficial.

Probably one of the simplest solutions that would make the situation more equitable would be to eliminate or increase the US quota on green cards and expand the United States Citizenship and Immigration Services (USCIS). This need to expand USCIS or eliminate the green card quotas is clear when looking at the statistics. Research done by the Cato Institute found that in 1991 the average wait time for all visa types for Mexican green card applicants/recipients was 5.4 years, and in 2018 the wait time increased to 8.4 years. Additionally, in 2018, green card applicants whose birthplace was Mexico made up the largest backlog group comprising 28% of all backlogged applications. And finally, it is no wonder that families and individuals are willing to risk entering and living in the US illegally when, depending on the visa type, if an applicant

---

applied in 2018, it could possibly take up to an estimated 102 years to process and issue a green card.²³

Another policy that the US government could enact that could help is ending the war on drugs that former President Nixon started is decriminalizing drug usage. As noted in the first section, there are many reasons why people from Mexico and other Latin American countries chose to come to the US, and the war on drugs is one reason. The drug cartels in Mexico and Latin America are ruthless in achieving their objectives and are willing to commit cruel and inhumane acts against those who stand in their way. So, it is clear why many would choose to risk their lives and the lives of their family to escape the cruelty of the cartels. The estimated value of the illegal drug trade in 2011 was approximately valued at 13.4 to 48.8 billion dollars.²⁴ The decriminalization of drug use and possession and the legalization of certain substances for production, like marijuana, would make the illegal drug trade less profitable. The effects of this policy will not be immediate, and it will not completely remove the cartels, as many will switch to other illegal trades. However, countries that have taken this step and coupled it with drug rehabilitation programs have found that drug usage actually decreased. Another benefit of drug decriminalization paired with rehabilitation programs that Portugal experienced was the reduction in the spread of blood-borne diseases such as AIDS and HIV.²⁵ Reforming the laws regarding drug usage and possession, paired with programs that support drug users, would help weaken the cartels’ control in Mexico and Latin America, providing some level of stability for people and their families.

Finally, another policy solution that would benefit the US economy and immigrants from Mexico and other Latin American nations who are looking for work and not permanent residency is the establishment of federally sponsored work programs. During World War II, there was a major shift in the reallocation of the labor force to fuel the war effort—men became soldiers, and women went into manufacturing. This led to a significant shortage in some sectors.

²⁵ “Approaches to Decriminalizing Drug Use & Possession.” Drug Policy Alliance. 2015
of the labor force, particularly in the area of the agricultural sector. To combat this labor shortage, the governments of the United States and Mexico through a series of agreements led to the executive order the Mexican Farm Labor Program, which established the Bracero program in 1942 (Bracero roughly translates as manual laborer in English.), the same year Mexico declared war on the Axis powers. This program over the course of the war provided vital labor-power in fueling the war effort. The Bracero program continued to play a vital role when the US was drawn into the Korean War resulting in Congress formalizing the program into law. The program lasted 22 years (1942-1964), and the employment of over 4 million Mexican Braceros during the program’s lifetime. The agreement of the program guaranteed these Braceros a wage, housing, and other amenities, but there was discrimination against the Braceros. They were charged more for housing, were paid reduced wages, and were given tasks that exposed them to harmful chemical agents. One cannot deny that this program and the workers who came to the US were vital in supporting the Allies during World War II and the Korean War. A revival of a program like this would be a major benefit to the US and Mexican economies. This is especially relevant today with the current Covid-19 pandemic, which has caused significant distributions in the agricultural sector by causing labor shortages. By implementing a similar program, US producers would be able to hire workers, and workers from Mexico would be able to legally work in the US.

In theory, some of these proposals sound simple on paper, and if implemented correctly, all of these proposals could make the situation more equitable for the US population and immigrants from Mexico and Latin America. However, due to the US political system being highly partisan, it does not seem that there will be any beneficial policy enacted under the current system. It is clear that the US system of government needs to change in some way to prevent policy deadlock, while it also needs to allow for better representation of the people and their needs.

**Conclusion**

The topic of immigration is one that stems from a complex web of social and political reasons, but it is clear that immigrants have a significant role and impact in shaping the economy of the United States, regardless of whether they are documented or undocumented. However, as of late, there has been a significant rise in xenophobic rhetoric and sentiments especially directed at people from Mexico and other Latin American nations. This rhetoric has enhanced fears and misconceptions about immigrants. These attitudes as of late have been primarily promoted by former President Trump and other conservative US lawmakers in Washington. But, these claims made by conservative US lawmakers are either unjustified due to having no statistical basis, or downright false in an attempt to cater to their constituents to win votes.

There is no single defining reason that prompts a person to choose to leave their home country and immigrate to another nation. Rather, that choice is caused by an intricate network of social and political factors. In the case of Mexico and Latin America, many of the social and political challenges these nations face that cause their people to emigrate can in many ways be traced back to the beginning of these nations and some kind of foreign involvement.

Despite the common fears that are being promoted against immigrants from Mexico and Latin America, these claims largely lack credibility. Many research studies conducted have shown that immigrants are vital to the development of the US economy. Additionally, immigrants that reside in The United States illegally have also been shown to further and contribute to the US economy, despite the fact that they do not receive the same benefits that documented immigrants or citizens would.

Lastly, when it comes to creating policy that would be more equitable to US citizens and immigrants from Mexico and Latin America, there are many possibilities that could work. However, it seems that due to the partisan nature of the US political system, US politicians seem to be unwilling to enact policies that would benefit the US economy and immigrants.
References

https://visualizingtheamericas.utm.utoronto.ca/key-moments/1928-massacre/


“About” Bracero History Archive. Date Accessed, 3 March 2022.
http://braceroarchive.org/about

https://professionals.collegeboard.org/guidance/financial-aid/undocumented-students

https://guides.loc.gov/latinx-civil-rights/bracero-program

“Approaches to Decriminalizing Drug Use & Possession.” NY: Drug Policy Alliance. 2015

https://visualizingtheamericas.utm.utoronto.ca/key-moments/banana-republics/


https://www.nilc.org/issues/economic-support/overview-immeligfedprograms/#_ftn7


Kim, Deborah, Et al. “‘We’re being scapegoated’: Asians and Asian Americans speak out against spate of violence.” ABC News. 2021.


