

The South Side of the Border Crisis

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SPEAKERS

Keith



Keith 00:00

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting "As I SEA It!"
Keith DeGreen



Keith 00:07

Welcome to as I SEA it, I am Keith DeGreen and thanks for joining me. Now don't forget, for additional content, please visit us at DeGreen.com. That's D E G R E E N.com. Now, today's topic, the south side of the border crisis. We're all familiar with the headlines on this side of our southern border. I've described President Biden's open border policy as the most cynical, electoral ploy in my lifetime. We are trading American lives, about 300 young people a day die in the US from fentanyl and other drugs that are smuggled across our border. Along with the wave of humanity we allowed to cross and for what, for a new American constituency that will be dependent on sugar daddy Washington socialists for generations to come. It is appalling. It is sickening. You know, according to the Federation for American immigration reform, there were approximately 15 and a half million illegal immigrants in the US at the end of 2021. Now it's very safe to conclude that the number now exceeds 17 million at least, obviously, most unlawful immigrants just want a better life. We know that. But while it's estimated that each new unlawful immigrant costs taxpayers at least \$8,000 per year, and I think that's low. In fact, the cost is in calculable drug deaths, increased crime, reduced public services, crowded schools, crowded emergency rooms, the list goes on and on. Our legal immigration system is also a casualty. You know, around the world, millions of law abiding people wait for years to gain lawful residency to America. Yes, we've all heard the statistics about the impact of open borders on the very fabric of American life. But what is the cause of all this south of our borders? What is the result of all this in Central and South America? Why are millions of young healthy people fleeing their countries for the US? What are the consequences to those countries? Have them coming here? And why aren't their countries doing more to keep them at home? Those are the questions I'd like to address today. First, we begin with this obvious fact.

Other than losing promising young people to the United States. In fact, the various left leaning countries in Central and South America have a huge disincentive to discourage migration to the US. That disincentive is money honey, without lifting a finger without providing the social and physical infrastructure necessary to grow their own pathetic economies without daring to reform their own corrupt governments, Latin American countries reap billions every year from the money illegal us immigrants send home. These funds. These often untaxed, remittances are facilitated by a multibillion dollar US remittance industry, run by our own banks and wire services. It's the dark little secret that profits everyone except you, the US taxpayer. Now today, let's take a look at how the governments in these countries are structured, how they profit from the current remittance system, and what we might do to put a stop to the charade. Now fixing the problem won't be easy, though, way too much money is being made by those governments and by powerful US financial institutions. You know, as a former attorney, investment advisor and certified financial planner, I'm a numbers guy. Well, here are the numbers. Now first, there are about 35,000,001st generation American residents living in the US today. About half of them are here quite lawfully. Those lawful immigrants are among the lucky few, who complied with the law waited their turn, and lawfully came to America to pursue their dreams. Many of them send money home remittances to family and to friends in other countries now remittances have been called Personal foreign aid. Money sent directly to real people, right Other than the governments, that money flows into various countries, without their governments needing to do anything, no reforms, no extra services, no extra infrastructure, nothing. As remittances are spent by recipients, that money circulates within each country's economy, and results in taxes paid to the various governments that do nothing to promote better political and economic conditions for their own people. Now here in the US, we're a nation of immigrants. And I personally welcome law, lawful and new arrivals. You know, my grandparents pass through Ellis Island from Central Europe. Now their children grew up to be productive members of society and their grandkids grew up to become doctors and lawyers, business owners, and even candidates for the United States Senate. That was me years ago. Like your family, we've lived the American Dream lawfully. Now, how big a deal are the remittances from the US in 2022? Alone, remittances from the United States to people in other countries totally ready for this? More than \$75 billion. Much of that money was earned lawfully here in the US by lawful immigrants. But I mentioned earlier that there are at least 17 million unlawful immigrants in our country, about half of our first generation immigrant population of around 30 million. So is it fair to say that illegal immigrants are sending about half of that \$75 billion in remittances out of the US? Probably not, because those unlawful immigrants tend to work in lower paying jobs. However, it is fair to surmise that maybe a third of that 75 billion is sent from the US to other countries by illegal immigrants here. That's about \$25 billion being sent to other countries every year by people who are not supposed to be here. And it gets worse. Our federal and state governments are understandably reluctant to award work visas to unlawful immigrants, but they do work in our underground cash or gray economy. Now that money is not taxed here in the US, it's under the table. So even as you the taxpayer paid to subsidize the health, education and welfare of the illegals, they are sending. And this is only an estimate and probably a low estimate, at least 25 billion untaxed dollars per year out of the country. Now, not long ago, Congress tried to impose a modest 7% tax on remittances. But the proposal got nowhere. Too many big US banks and wire companies opposed the idea. However, I think it's a really great idea with some embellishments. First, I think the tax ought to be 12%. That's the second lowest federal income tax rate assessed on incomes between \$14,201.50 \$4,200 That's for tax year 2023. Next, it ought to be refundable, but only up to the amount of the tax paid. So for example, if someone earns \$20,000 in the gray economy, they might well have an incentive to get legit, and at least file a federal income tax return. If payment of the remittance tax caused their tax payments throughout the year to exceed their tax liability for that year, then they can claim a refund again, only up to the amount of paid remittance tax on

their tax return. Now 12% of about 25 billion isn't chump change, it comes to about \$3 billion. And that's enough to cover at least some of the cost of welfare benefits that we provide to illegal immigrants every year. Incidentally, I see no impediment to states imposing a similar tax withholding money as it's being sent overseas that is refundable when people file their tax returns.

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Keith 09:33

So just how much money is sent annually from the US in the form of remittances to various countries? Well, the numbers are staggering. Now remember, much of the money sent is legit sent by first generation American residents who are here lawfully, but much of the money is untaxed here in the US and is sent by those who are here unlawfully. Now, increasingly, we've seen a significant uptick in illegal immigration from countries such as China and the Middle East, but for today, I'm going to focus on the money that flows from the US to several Latin American countries. How important are these remittances to the economies of the countries who do too little to provide opportunity for their own people? Well, let's walk down the map of Central America into at least the northern part of South America. Now, the latest complete statistics I have are from 2021. About three, excuse me, about \$30 billion a year comes from the US to Mexico. Because its economy is large, that constitutes only about 4.3% of Mexico's entire gross domestic product, its GDP. Now that might sound low, but keep in mind that in the US, we spend barely 4% of our GDP on national defense. Meanwhile, remittances totaling more than \$6 billion constitute a whopping 17.9% of Guatemala's GDP. Honduras depends on its \$6 billion in remittances for an incredible 25% of its entire gross domestic product. But El Salvador has Honduras beat the mere \$4 billion per year coming in is remittances comprise 26% of El Salvador's GDP, Nicaragua, that haven of socialist utopianism relies on remittances for at least 15% of its economy. But remittances comprise just 3% of Colombia's economy. Go figure. Meanwhile, Venezuela, another corrupt worker's paradise, from which we've seen a major increase in illegal immigration refuses to report its a remittance inflows. We do believe though, that remittances are the second largest source of foreign earnings there after oil, and that about 2 million households there receive from remittances from the US 2 million people. Now that's more than 35% of the country's households. Meanwhile, the socialist paradise of Cuba depends on us remittances of three to \$4 billion per year good old Cuba. They are Cuba's third largest source of income after the services industry and tourism. You know, President Trump had set a cap of \$1,000 per quarter on family remittances to Cuba. But in May 2022, the Biden administration revise that policy. The Biden administration also eased restrictions on travel to the island, and it is sharply increased the processing of us visas for Cubans. And let's not forget our friends in the Caribbean paradise of the Dominican Republic. remittances totaling about \$4 billion per year constitute nearly 4% of its GDP. Now, it's important to remember, depending on the country, a big slice of these remittances come from lawful US residents with money that has been taxed. But piles of remittance money obviously escape the US tax free and are sent by people who are also receiving us benefits despite their illegal residency status. The big takeaway here is that every dollar of remittance money pumped into a failed corrupt economy is \$1 Less, that is that that government must spend to help build its economy to help provide economic opportunity at home. Oh, it's a big business for us competence. Now, I mentioned that remittances are big business here in the US. And it's my understanding that the traditional remittance fee has been about 6%. However, so our banks are capturing about 6% or wire companies are capturing about 6% of the remittances that leave here. That's a lot of money. However, competition is apparently bringing that down a bit, but even at say 5%. That's still about \$3.8 billion per year in bank fees flowing to US banks and wire services, even before they charge for additional and ciliary services. Yep, remittances

are a big business, and that business is well protected by lobbyists in Washington. Now Western Union is the largest remittance provider, with one of every \$5 sent across borders passing through its hands. the profitability of the remittance market, along with the growth of electronic funds transfer technologies, has also led to the creation of numerous internet based remittance companies such as x zoom and remitly There's also Instagram wise X, ie MoneyGram, money Corp, ripple revolute, TransferGo, Doxo, Payoneer, and many others. Oh, and let's not forget good old Bank of America, they're cashing into now, like I said, it's a very big business. Now let's take a closer look south of the border. What governments benefit from these remittances. Now as we take a closer look, we must conclude that none of them have provided their own people with the economic and political freedom and the stable democracies to which they are fully entitled. First goes Mexico, you know, the leftist government of President Lopez Obrador is not our friend. Obrador is an avowed socialist in the classic and appalling Latin American tradition. You know, just recently, using a presidential decree, he sent Mexican marines to expropriate that is to take a critical 75 mile stretch of railroad and he gave it to the military to manage. Although Mexico is one of the world's largest economies, it has underperformed its growth targets for three straight decades, corruption and cartel based violence undermine its economic stability. You know, the average Mexican child finishes school at age 15. Although Mexico boasts the 13th largest economy in the world, its education expenditures as a percent of GDP rank only 100 and eighth in the world. Mexico ranked 61st on the heritage Foundation's financial freedom index out of 162 countries. Incidentally, the US ranks only 25th on the list these days. Now, let's take a quick look at Guatemala, because so much of its economy is based on remittances. After almost three centuries as a Spanish colony, you know, Guatemala won its independence in 1821. Now during the rest of the 1800s, and well into the 1900s, Guatemala experienced a variety of military and civilian governments, as well as a 36 year guerrilla war. Now in 1996, the government signed a peace agreement formally ending that war. Now the government's organized as a presidential republic, Guatemala ranked 64th on the heritage economic freedom index just ahead of the Dominican Republic and Mexico. Next, Venezuela's certainly worth a look to because so many recent illegal immigrants have come from there to the US. Now its heritage economic freedom rank is 174. Just about Cuba, putting it into Heritage's repressed category. You know, for most of the first half of the 20th century, Venezuela was ruled by military strongmen, who promoted the oil industry and allowed a few social reforms. Now like Mexico, Venezuela sits on massive oil reserves like Mexico, it shouldn't be one of the wealthiest countries in the world. Although democratically elected governments largely held sway after 1959 the executive branch under Hugo Chavez, President from 1999 to 2013, exercised increasingly authoritarian control over other branches of government. This undemocratic trend continued in 2018 when Nicolas Maduro claimed the presidency for his second term in an election boycotted by most opposition parties and widely viewed as fraudulent. Now the Maduro regime places strong restrictions on freedom of expression in the press. Since Chavez, the ruling party's economic policies expanded the state's role in the economy through expropriation of major enterprises, strict currency exchange,

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Keith 19:19

and price controls that discourage private sector investment and production and over dependence on the petroleum industry for revenues, among others. Now, years of economic mismanagement left Venezuela, ill prepared to weather the global drop in oil prices in 2014. At sparked an economic decline that has resulted in reduced government spending, shortages of basic goods, high inflation, malnutrition, it's pretty terrible, worsened, living conditions have prompted over 7 million Venezuelans to migrate mainly settling in nearby countries including of

course, the US Venezuela's population is now down to 30 million people. Due to this massive migration out of the country. Since 2017, the US has imposed sanctions on the Maduro Maduro regime, and the regime's mismanagement and lack of investment and infrastructure has debilitated the country's oil sector. It wasn't long ago, however, that the Columbia President President Colombia forget the fellow's name was in the White House pitching bad President Biden on why we should lift sanctions on Venezuela. Incidentally, Colombia's president is a socialist as well, instead of using that opportunity to tout the benefits of a free market in a free society. Apparently, the President just smiled and nodded. So who the heck knows what he's going to do? Now, these are just a few of the governments that benefit from the billions in remittances sent their country's money, millions upon millions of young able bodied people have left those countries in pursuit of the economic opportunities that they deserve to have in their own countries. Imagine what those countries might accomplish if they simply protected basic democratic institutions. And if they simply provide a true economic opportunity, imagine the contributions that their young people now in the US could make to build those nations. Just imagine. So what might we do to promote better governance south of our border to end the flood of humanity willing to illegally enter the US? Well, we need to stop blaming ourselves. First of all, for that rush of humanity at our border. Yeah, we've done a terrible job at protecting our border. But that is a separate issue from the conditions in other countries that drive people to us. Second, we need to cajole, compel and encourage these governments to build and maintain honest democratic institutions to create better economic opportunities, and to get much more serious about stopping the unlawful flow of humanity from their country to ours. But how do we do that? Could we suspend our foreign assistance to those countries? And probably not. For example, in 2022, agencies of the federal government, primarily the US Agency for International Development, spent about 210 million to of all places, Venezuela. However, almost all of that was for food and humanitarian humanitarian assistance, because the Maduro government is so corrupt, its socialist system is so broken, that it literally cannot feed its own people. Can we let them starve and no. One more example, Colombia takes the price for US foreign assistance. In the Americas in 2022, US agencies poured more than \$376 million into that country. nearly 200 million of that amount was for humanitarian assistance, while 55 million went for agriculture, and a whopping 75 million was paid out for UN I'm putting quotes around this word governance. Governance includes what are called conflict, peace and security expenses of \$21 million \$13 million dollars for public sector policy and administrative management, nearly \$10 million for legal and judicial development, about \$7 million each for human rights and democratic participation and civil society expenditures. breaking those numbers down, it's obvious that there is significant room for graft and corruption. But these amounts are a drop in the bucket, compared to the private foreign aid sent in the form of remittances from the US to friends and family back home. Well, then, what about trade, notwithstanding various trade agreements are that are already in effect that we impose trade trade sanctions on certain countries until they get serious about preventing illegal immigration to our country. For example. Here's the 2022 value of imports from a few Latin American and Caribbean countries to the US, for example, Mexico, \$450 billion worth of imports. Colombia 20 billion Costa Rica 9 billion, the Dominican Republic 9 billion Honduras 6 billion, Nicaragua 6 billion but Amala. 6 billion. Even Venezuela sends about 450 million of goods to the US despite existing sanctions. But if we restrict their imports, we restrict employment opportunities. Within these countries, businesses cut back or close, ordinary people are punished. Just another reason to hate the US I suppose. Meanwhile, because you know, those local governments aren't going to take responsibility for the result. Now they'll blame us. Meanwhile, should we tax remittances sent from the US? Of course, I believe very strongly that we should. Let's take a closer look now at governance south of the border. Clearly the core problem throughout Mexico and Latin America is governance. You know, the American continents great colonizing powers were Great Britain, Spain and Portugal. Now, to this day, the people of Brazil speak Portuguese.

Well, throughout Mexico and the rest of Latin America, Spanish is the primary language, the excesses of colonization notwithstanding, and they were plenty. The British left behind a common law tradition upon which our nation's laws are built, and under which we flourish. Common Law relies on an established an independent court system, the Spanish and Portuguese left behind civil law that delegates way too much judicial authority to administrators and bureaucrats, something we need to be concerned with here in the United States with the explosion of Administrative Law Courts, throughout all of our agencies in the government. It's a very, very difficult situation. Now, it also typically fails to insulate courts, the civil law system, insulate courts from the political system while failing to protect the political system from politically motivated courts. The very composition of Latin America civil law system is an invitation for graft corruption and instability. Yes, until the mid 1900s, the US had a sordid history of supporting dictators to create stability while our oil and agricultural companies exploited the reasons natural resources. They also created a lot of jobs there, but it was pretty heavy handed approach. Now, especially starting under the Obama administration, we've laid much too far the other way, encouraging, not just Democ, encouraging not just democracy, but by also supporting leftist candidates and governments that have utterly failed to provide the economic opportunities and good governance that all people deserve. We simply cannot pretend that undemocratic, or corrupt governments deserve the same level of respect from the US, as do legitimate democracies. This points not to just the charade of acknowledging corrupt election results when they occur, but also to the disgrace of conducting business as usual, with patently corrupt and oppressive rulers. When, for example, the Obama administration attempted to normalize relations with Cuba, it sent a message to all Latin America and the Caribbean that despotic and corrupt governments would be given the same level of respect as legitimate democracies. That is absolutely shameful. We cannot meddle but we can we should educate in every way possible, through the media, through publications and through democracy advocates in every country south of the border. Behind the scenes, you know, the US State Department and other agencies maintain constant communication with all our southern neighbors. Our message must be clear and singular. We will not pretend that undemocratic or corrupt governments are legitimate, and we will do nothing to support their continued oppression of their citizens rights. Yes, I know, these are imperfect solutions, but we need to start somewhere. Still,

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Keith 29:00

I go back to my original point. We cannot blame ourselves for what is happening south of the border. Our job is to protect our border. And yes, I certainly say Finish the damn wall. But it is the responsibility of every citizen everywhere to demand democracy to demand justice to demand a responsive government. We must look for every lawful opportunity to help them in that pursuit. I am Keith DeGreen. Don't forget to visit our website to DeGreen.com. Thanks for joining me right here on as I SEA it.

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Keith 29:41

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